

**GENOA AREA LOCAL SCHOOL DISTRICT**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2004**





**Auditor of State  
Betty Montgomery**

Board of Education  
Genoa Area Local School District  
2810 N. Genoa Clay Center Rd.  
Genoa, OH 43430-9730

We have reviewed the *Independent Auditors' Report* of the Genoa Area Local School District, Ottawa County, prepared by Weber O'Brien Ltd., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Genoa Area Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

December 27, 2005

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# GENOA AREA LOCAL SCHOOL DISTRICT

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**GENOA AREA LOCAL SCHOOL DISTRICT  
ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL  
Year Ended June 30, 2004**

Title Name	Term of Office or Contract Period	Surety	Amount
<b>BOARD OF EDUCATION</b>			
President:			
Les Wyse	1/1/00 to 12/31/07	(A)	\$20,000
Other Members:			
George Cicak	1/1/02 to 12/31/05	(A)	\$20,000
Tom Scheanald	1/1/03 to 12/31/06	(A)	\$20,000
Ernie Cottrell	1/1/02 to 12/31/05	(A)	\$20,000
Alan Brown	1/1/02 to 12/31/05	(A)	\$20,000
<b>STATUTORY LEGAL COUNSEL</b>			
County Prosecuting Attorney:			
Mark E. Mulligan 62 Grande Lake Drive Port Clinton, OH 43452			
<b>RETAINED LEGAL COUNSEL</b>			
Shumaker, Loop & Kendrick, LLP North Courthouse Square 1000 Jackson Avenue Toledo, OH 43624-1573			
<b>ADMINISTRATIVE PERSONNEL</b>			
Treasurer:			
Michael Weis	1/1/02 to 12/31/05	(A)	\$20,000
2868 N. Scott Ct Genoa, OH 43430			
Superintendent:			
Dennis Mock	8/1/01 to 7/31/06	(A)	\$20,000
2964 N. Huss Blvd. Genoa, OH 43430			
(A) Marsh Insurance			

**Genoa Area Local School District  
OTTAWA COUNTY  
INDEX OF FUNDS  
Year Ended June 30, 2004**

**GOVERNMENTAL FUNDS:**

General Fund:

General Fund

Special Revenue Funds:

Public School Support Fund

District Managed Student Activities Fund

Emergency Levy Fund

Education Management Information System Fund

Public School Preschool Grant Fund

Title VI-B - Education of The Handicapped Act Fund

Chapter 1 - Education and Consolidation Improvement Act of 1981

Chapter 2 - Education Consolidation and Improvement Act of 1981

Drug Free Grant Fund

Debt Service Fund:

Bond Retirement Fund

Capital Projects Funds:

Permanent Improvement Fund

School Net

Athletic Complex

**PROPRIETARY FUNDS:**

Enterprise Funds:

Food Service Fund

Uniform School Supplies Fund

Continuing Education Fund

Internal Service Fund:

Rotary Camp Trip Fund

**FIDUCIARY FUNDS:**

Trust Fund:

Expendable Trust Funds:

Junior High Flower Fund

High School Flower Fund

Agency Fund:

Student Activity



## INDEPENDENT AUDITORS' REPORT

Board of Education  
Genoa Area Local School District  
2810 N. Genoa Clay Center Road  
Genoa, OH 43430

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Genoa Area Local School District ("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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Genoa Area Local School District as of June 30, 2004, and the respective changes in financial position and cash flow, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 3, the District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.



In accordance with the Government Auditing Standards, we have also issued our report dated May 16, 2005 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 and budgetary comparison information on pages 55 and 56 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Weber. O'Brien Ltd.

May 16, 2005

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The management's discussion and analysis of the Genoa Area Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets decreased \$525,731. Net assets of governmental activities decreased \$451,820, which represents a 5.14% decrease from 2003. Net assets of business-type activities decreased \$73,911 or 33.81% from 2003.
- General revenues accounted for \$11,192,081 in revenue or 92.14% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$954,927 or 7.86% of total revenues of \$12,147,008.
- The District had \$12,598,828 in expenses related to governmental activities; \$954,927 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$11,192,081 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and the debt service fund. The general fund had \$10,345,654 in revenues, and \$11,012,316 in expenditures and other financing uses. During fiscal year 2004, the general fund's fund balance decreased \$666,662 from \$1,969,254 to \$1,302,592.
- The debt service fund had revenues of \$439,038 and expenditures of \$283,877. The debt service fund's fund balance increased \$155,161 from \$328,043 to \$483,204.
- The District's only nonmajor enterprise fund is the food service fund. The food service fund had \$547,656 in revenues and \$621,567 in expenses. The food service fund net assets decreased \$73,911 from \$218,662 to \$144,751.

**Using these Basic Financial Statements**

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service operations are reported as business-type activities.

The District's statement of net assets and statement of activities can be found on pages 14-16 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the debt service fund.

***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 the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government 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 differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

	<b>Net Assets</b>	
	Governmental Activities	Business-Type Activities
	<u>2004</u>	<u>2004</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 6,463,941	\$ 27,039
Capital assets, net	<u>12,590,484</u>	<u>142,524</u>
Total assets	<u>19,054,425</u>	<u>169,563</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,273,109	10,748
Long-term liabilities	<u>6,444,285</u>	<u>14,064</u>
Total liabilities	<u>10,717,394</u>	<u>24,812</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	7,239,496	142,524
Restricted	631,773	-
Unrestricted	<u>465,762</u>	<u>2,227</u>
Total net assets	<u>\$ 8,337,031</u>	<u>\$ 144,751</u>

Total net assets of the District decreased by \$525,731, governmental activities net assets decreased \$451,820 and business-type activities net assets decreased \$73,911.

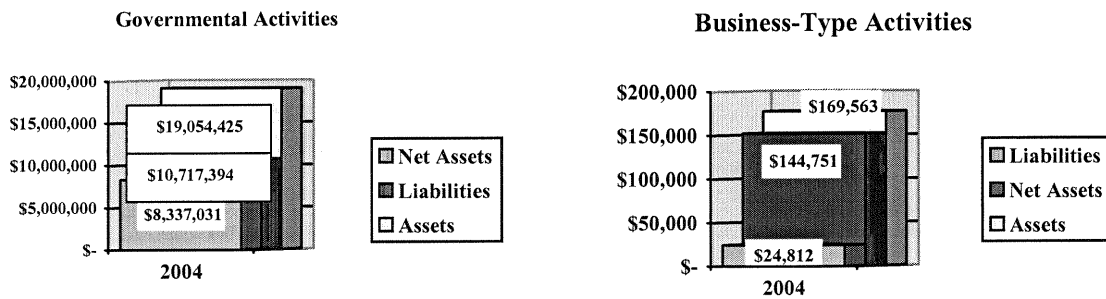
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$8,481,782. Of this total, \$8,337,031 is in governmental activities and \$144,751 is in business-type activities.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

At fiscal year-end, capital assets represented 66.24% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$7,239,496 in governmental activities and \$142,524 in business-type activities. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$631,773, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets in governmental activities of \$465,762 may be used to meet the District's ongoing obligations to the students and creditors.



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

**Statement of Activities**

	Governmental Activities 2004	Business-Type Activities 2004
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 272,299	\$ 370,996
Operating grants and contributions	646,328	176,192
Capital grants and contributions	36,300	-
General revenues:		
Property taxes	4,368,245	-
Grants and entitlements	6,737,770	-
Investment earnings	27,262	468
Other	58,804	-
<b>Total revenues</b>	<b>\$ 12,147,008</b>	<b>\$ 547,656</b>

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Statement of Activities**

	Governmental Activities 2004	Business-Type Activities 2004
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,752,936	\$ -
Special	804,691	-
Vocational	75,061	-
Other	1,084	-
Support services:		
Pupil	356,341	-
Instructional staff	568,820	-
Board of education	7,535	-
Administration	911,163	-
Fiscal	361,284	-
Business	21,318	-
Operations and maintenance	953,176	-
Pupil transportation	501,303	-
Central	446,164	-
Operations of non-instructional services	22,490	-
Extracurricular activities	506,533	-
Interest and fiscal charges	308,929	-
Food service operations	-	621,567
	<u>12,598,828</u>	<u>621,567</u>
Total expenses		
	<u>\$ (451,820)</u>	<u>\$ (73,911)</u>
Change in net assets		

**Governmental Activities**

Net assets of the District's governmental activities decreased \$451,820. Total governmental expenses of \$12,598,828 were offset by program revenues of \$954,927 and general revenues of \$11,192,081. Program revenues supported 7.58% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 91.43% of total governmental revenue.

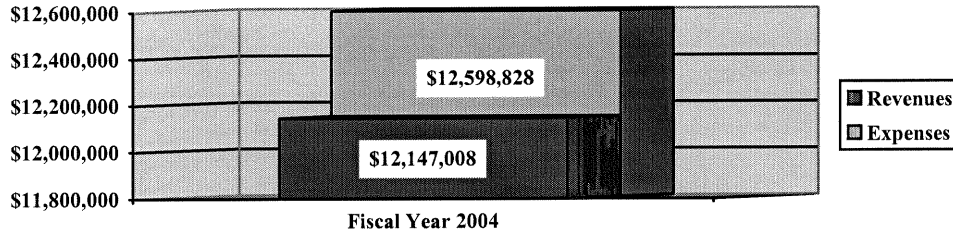
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,633,772 or 60.60% of total governmental expenses for fiscal 2004.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

**Governmental Activities**

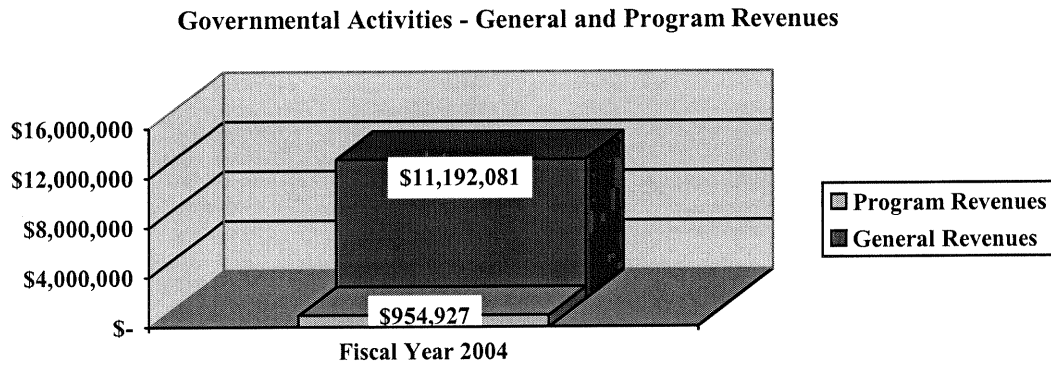
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
<b>Program expenses</b>		
Instruction:		
Regular	\$ 6,752,936	\$ 6,611,410
Special	804,691	515,942
Vocational	75,061	75,061
Other	1,084	1,084
Support services:		
Pupil	356,341	307,342
Instructional staff	568,820	453,534
Board of education	7,535	7,535
Administration	911,163	842,827
Fiscal	361,284	351,232
Business	21,318	21,318
Operations and maintenance	953,176	937,598
Pupil transportation	501,303	485,056
Central	446,164	396,393
Operations of non-instructional services	22,490	22,490
Extracurricular activities	506,533	306,150
Interest and fiscal charges	308,929	308,929
<b>Total expenses</b>	<u>\$ 12,598,828</u>	<u>\$ 11,643,901</u>

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

The dependence upon tax and other general revenues for governmental activities is apparent, 94.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 88.84%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2004.



**Business-Type Activities**

Business-type activities include the food service fund. This program had revenues of \$547,656 and expenses of \$621,567 for fiscal year 2004. The District's business activities receive no support from tax revenues.

**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,956,839, which is lower than last year's total of \$2,395,907. The June 30, 2003 fund balances have been restated as described in Note 3.A to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	<u>Fund Balance June 30, 2004</u>	<u>Fund Balance June 30, 2003</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
General	\$ 1,302,592	\$ 1,969,254	\$ (666,662)	(33.86)%
Debt Service	483,204	328,043	155,161	47.30%
Other Governmental	<u>171,043</u>	<u>98,610</u>	<u>72,433</u>	73.46%
Total	<u>\$ 1,956,839</u>	<u>\$ 2,395,907</u>	<u>\$ (439,068)</u>	(18.33)%

**General Fund**

The District's general fund balance decreased \$666,662 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A to the basic financial statements). The decrease in fund balance can be attributed to several items related to decreasing revenues and increased expenditures. Expenditures exceed revenues for fiscal year 2004 by \$590,153. On March 3, 2004 the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,652,727	\$ 3,323,992	\$ 328,735	9.89%
Earnings on investments	27,262	84,523	(57,261)	(67.75)%
Extracurricular	21,646	1,700	19,946	1173.29%
Intergovernmental	6,638,866	6,379,427	259,439	4.07%
Other revenues	<u>5,153</u>	<u>-</u>	<u>5,153</u>	100.00%
<b>Total</b>	<b><u>\$ 10,345,654</u></b>	<b><u>\$ 9,789,642</u></b>	<b><u>\$ 556,012</u></b>	<b>5.68%</b>
<b><u>Expenditures</u></b>				
Instruction	\$ 6,900,744	\$ 5,519,647	\$ 1,381,097	25.02%
Support services	3,640,696	3,831,527	(190,831)	(4.98)%
Non-instructional services	38,156	32,905	5,251	15.96%
Extracurricular activities	231,988	236,039	(4,051)	(1.72)%
Debt service	<u>124,223</u>	<u>227,194</u>	<u>(102,971)</u>	(45.32)%
<b>Total</b>	<b><u>\$ 10,935,807</u></b>	<b><u>\$ 9,847,312</u></b>	<b><u>\$ 1,088,495</u></b>	<b>11.05%</b>

The decrease in earnings on investments can be attributed to the declining interest rates. The increase in extracurricular activities revenue is due to the reclassification of the rotary fund which accounts for field trips. The increase in instruction expenditures is due to overall wage and benefit increases. The decrease in the debt service expenditures is related to the reduction in capital lease payments due from this fund.

***Debt Service Fund***

The District's debt service fund balance increased \$155,161. The increase in fund balance can be attributed to increases in property tax revenue.

***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 2004, the District amended its general fund budget several times. For the general fund, original appropriations and other financing uses were \$11,115,468 and final appropriations and other financing uses were \$11,215,468. Actual budget basis expenditures and other financing uses for fiscal 2004 was \$11,093,414. This represents a \$22,054 decrease over original appropriations.

General fund original and final budgeted revenues and other financing sources totaled \$10,242,779. Actual revenues and other financing sources for fiscal year 2004 totaled \$10,310,500, which is \$67,721 higher than the final budget revenues.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2004, the District had \$12,733,008 invested in land, and improvements, buildings and improvements, furniture and equipment, vehicles and construction-in-progress. See Note 8 to the basic financial statements for additional information. \$12,590,484 is reported in governmental activities and \$142,524 in business-type activities. The following table shows fiscal 2004 balances compared to 2003:

**Capital Assets at June 30  
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Land	\$ 341,835	\$ 341,835	\$ -	\$ -	\$ 341,835	\$ 341,835
Construction in progress	60,755	-	-	-	60,755	-
Land improvements	157,760	165,565	-	-	157,760	165,565
Building and improvements	10,420,663	10,751,839	-	-	10,420,663	10,751,839
Furniture and equipment	1,089,350	1,120,390	142,524	157,080	1,231,874	1,277,470
Vehicles	520,121	583,627	-	-	520,121	583,627
Total	<u>\$12,590,484</u>	<u>\$12,963,256</u>	<u>\$ 142,524</u>	<u>\$ 157,080</u>	<u>\$12,733,008</u>	<u>\$13,120,336</u>

The overall decrease in governmental activities capital assets of \$372,772 is primarily due to depreciation expense of \$607,093 exceeding capital outlays of \$258,625 in the fiscal year. The District also had disposals totaling \$24,304 net of depreciation.

***Debt Administration***

At June 30, 2004, the District had \$3,735,000 in general obligation bonds outstanding and \$1,615,988 in capital lease obligations. Of this total, \$248,878 is due within one year and \$5,102,110 is due within greater than one year. See Note 11 to the basic financial statements for additional information. The following table summarizes the bonds and loans outstanding.

**Outstanding Debt, at Year End**

	<u>Governmental Activities 2004</u>	<u>Governmental Activities 2003</u>
General obligation bonds	\$ 3,735,000	\$ 3,810,000
Capital lease obligations	1,615,988	1,706,905
Total	<u>\$ 5,350,988</u>	<u>\$ 5,516,905</u>

At June 30, 2004, the District's overall legal debt margin was \$10,632,134, and an unvoted debt margin of \$154,266.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

**Current Financial Related Activities**

The District has carefully managed its General Fund, the principal operating fund of the District and the students that it serves, budgets. As the preceding information shows the District had General Fund cash balances of \$1,865,060 in FY 2004, \$2,594,630 in FY 2003, \$3,358,737 in FY 2002, \$4,585,056 in FY 2001 and \$5,708,765 in FY 2000. The decline in cash balances is attributable to three factors. In Fiscal Years 2001 and 2002 the board transferred monies from the General Fund to the Building Fund as a "down payment" on the new John C. Roberts Middle School. The decline in FY 2003 and FY 2004 were attributable to the decision of the Board not to seek renewal of a 5 mill Emergency levy. And, part of the decline in FY 2003 and FY 2004 was due to operating deficits in the fund. During that time frame the Board proposed to voters three levies to resolve the deficits. All three failed, the latter two by small margins. For that reason the Board took steps to reduce school operating expenses by \$1,000,000. In FY 2004 the District's per pupil expense was \$7,200. That is below State average and it is also below the average of the District's peer groups. Likewise, the district's grade card score on academic indicators are above the state's average and peer group average.

The Board's Five Year projections show that the District's General Fund Cash Balance becomes a negative in FY 2009 and drops below a safe reserve level the previous year. For that reason the Board anticipates proposing a new operating levy to the voters in the next Fiscal Year.

Several significant legislative and judicial actions have occurred that have and will have significant impact on the School District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions have left the question of school funding and constitutionality of same in a state of flux. In 2004 the Governor of the State of Ohio appointed a Blue Ribbon Task Force to develop and make recommendations to the school funding mechanism. The Committee has completed its work and is presently presenting their results to various groups including the legislature. At this time it would be optimistic to anticipate that any significant change can be expected in the near term future. At the present time the Legislature is in the process of developing and recommending the biennium budget for FY 06 and FY 07. Unfortunately, revenues appear to be less than will be needed to meet the various budget demands. This does not bode well for expecting any increases in school funding for the next two years. In examining the revenue shortfalls it can be expected that school funding could actually decline.

The District has maintained relatively steady enrollment over the past few years. Enrollment is critical since State funding formulas are based on enrollment. Part of this has been the use of Open Enrollment students, students who attend the District and are accompanied by their state funding, to manage its enrollment. Currently, the District has a net of 80 Open Enrollment students. The District expects enrollment to remain stable. And, expects to continue to use Open Enrollment to maintain a stable enrollment base.

Another challenge facing the District is its facilities. The District is an expedited partner of the Ohio Schools Facility Commission (OSFC). The District has submitted a plan to the OSFC and the plan has been approved. The plan calls for consolidating the two existing elementary schools into a new elementary school built on the Middle School/High School campus. And, build a new High School on an area immediately adjacent to the existing High School. The District's share of this cost is to be 42%. This will require a Bond Issue to fund the District's share. Under the current district rankings and the building schedule it is anticipated that the District will be eligible for funding in FY 2009 or 2010. The construction of these facilities is expected to reduce the operating expenses of the district by \$300,000 to \$400,000.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
UNAUDITED**

Certain outside factors have impacted past financial performance and are expected to continue to have an impact. These factors include:

**Revenues**

1. The State Legislature voted to phase out the inventory tax. The result along with other changes in the Personal Property Tax, see item 2, have resulted in flattening growth in these taxes.
2. In addition, the legislature eliminated the reimbursement of the Personal Property Tax exemption.
3. State Legislators reduced the Vocational Student reimbursement formula. This has lowered state support by \$15,000 per year.
4. In addition they reduced the per pupil reimbursement growth formula from 2.8 to 2.1%. This has a negative revenue impact of \$42,000 annually. More interesting is that it slows the per pupil dollar amount growth. If it remains the same we can expect a loss of more than \$100,000 by FY 2009 from amounts promised.
5. Permanent cuts were made to non-foundation aid from the state. These equaled \$75,000.
6. Interest rate declines and reduced cash position has resulted in significant reduction in investment revenues.
7. The Legislature initiated a fee for disbursing Rollback and Homestead taxes to the District. The cost to the District is \$2,400.
8. The District made a decision not to renew a 5 mill Emergency Levy in 2002. This has resulted in an almost \$500,000 decline in General Fund Revenue.

**Expenditures**

1. Health Insurance premiums increased by an average of 14% annually since 1998. It is expected that these will increase by 15% annually.
2. Special Education costs have increased by nearly 100% since 2000 to more than \$1,200,000. These expenses represent 16% of the academic budget. Early forecast data shows no slow down in the growth of these expenses.
3. Liability Insurance costs increased by more than 300% from FY 2000. It is expected to grow on average by 7%. This is the result of fewer insurers offering coverage.
4. District salary costs have decreased due to a series of cuts made in FY 2003 and FY 2004. While some of the positions are expected to return upon passage of a levy, a number of the cuts are permanent.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and 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 Mr. Michael C. Weis, Treasurer, Genoa Area Local School District, 2810 N. Genoa Clay Center Road, Genoa, Ohio 43430-9730.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 2,528,416	\$ 12,299	\$ 2,540,715
Receivables:			
Taxes . . . . .	3,865,446	-	3,865,446
Intergovernmental . . . . .	-	11,440	11,440
Accrued interest . . . . .	1,641	-	1,641
Note receivable . . . . .	40,650	-	40,650
Prepayments . . . . .	7,728	-	7,728
Materials and supplies inventory . . . . .	20,060	3,300	23,360
Capital assets:			
Land and construction-in-progress. . . . .	402,590	-	402,590
Depreciable capital assets, net . . . . .	12,187,894	142,524	12,330,418
Capital assets, net. . . . .	<u>12,590,484</u>	<u>142,524</u>	<u>12,733,008</u>
 Total assets. . . . .	 <u>19,054,425</u>	 <u>169,563</u>	 <u>19,223,988</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	65,119	-	65,119
Accrued wages and benefits . . . . .	887,446	8,392	895,838
Pension obligation payable. . . . .	143,494	1,930	145,424
Intergovernmental payable . . . . .	20,556	426	20,982
Deferred revenue . . . . .	3,139,857	-	3,139,857
Accrued interest payable . . . . .	16,637	-	16,637
Long-term liabilities:			
Due within one year . . . . .	496,946	-	496,946
Due in more than one year . . . . .	5,947,339	14,064	5,961,403
 Total liabilities . . . . .	 <u>10,717,394</u>	 <u>24,812</u>	 <u>10,742,206</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	7,239,496	142,524	7,382,020
Restricted for:			
Capital projects . . . . .	67,371	-	67,371
Debt service. . . . .	481,837	-	481,837
Other purposes . . . . .	82,565	-	82,565
Unrestricted. . . . .	<u>465,762</u>	<u>2,227</u>	<u>467,989</u>
 Total net assets . . . . .	 <u>\$ 8,337,031</u>	 <u>\$ 144,751</u>	 <u>\$ 8,481,782</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 6,752,936	\$ -	\$ 105,226	\$ 36,300
Special . . . . .	804,691	100,377	188,372	-
Vocational . . . . .	75,061	-	-	-
Other . . . . .	1,084	-	-	-
Support services:				
Pupil . . . . .	356,341	-	48,999	-
Instructional staff . . . . .	568,820	-	115,286	-
Board of education . . . . .	7,535	-	-	-
Administration . . . . .	911,163	-	68,336	-
Fiscal . . . . .	361,284	-	10,052	-
Business . . . . .	21,318	-	-	-
Operations and maintenance . . . . .	953,176	5,048	10,530	-
Pupil transportation . . . . .	501,303	-	16,247	-
Central . . . . .	446,164	88	49,683	-
Operation of non-instructional services . . . . .	22,490	-	-	-
Extracurricular activities . . . . .	506,533	166,786	33,597	-
Interest and fiscal charges . . . . .	308,929	-	-	-
Total governmental activities . . . . .	<u>12,598,828</u>	<u>272,299</u>	<u>646,328</u>	<u>36,300</u>
<b>Business-type activities:</b>				
Food service . . . . .	<u>621,567</u>	<u>370,996</u>	<u>176,192</u>	<u>-</u>
Total business-type activities . . . . .	<u>621,567</u>	<u>370,996</u>	<u>176,192</u>	<u>-</u>
Totals . . . . .	<u>\$ 13,220,395</u>	<u>\$ 643,295</u>	<u>\$ 822,520</u>	<u>\$ 36,300</u>

**General Revenues:**

Property taxes levied for:
General purposes . . . . .
Debt service . . . . .
Capital projects . . . . .
Grants and entitlements not restricted to specific programs . . . . .
Investment earnings . . . . .
Miscellaneous . . . . .
Total general revenues . . . . .
Change in net assets . . . . .
<b>Net assets at beginning of year (restated) . . . . .</b>
<b>Net assets at end of year . . . . .</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
\$	(6,611,410)	\$	-	\$	(6,611,410)
	(515,942)		-		(515,942)
	(75,061)		-		(75,061)
	(1,084)		-		(1,084)
	(307,342)		-		(307,342)
	(453,534)		-		(453,534)
	(7,535)		-		(7,535)
	(842,827)		-		(842,827)
	(351,232)		-		(351,232)
	(21,318)		-		(21,318)
	(937,598)		-		(937,598)
	(485,056)		-		(485,056)
	(396,393)		-		(396,393)
	(22,490)		-		(22,490)
	(306,150)		-		(306,150)
	(308,929)		-		(308,929)
	<u>(11,643,901)</u>		<u>-</u>		<u>(11,643,901)</u>
	-		(74,379)		(74,379)
	-		(74,379)		(74,379)
	<u>(11,643,901)</u>		<u>(74,379)</u>		<u>(11,718,280)</u>
	3,674,411		-		3,674,411
	398,474		-		398,474
	295,360		-		295,360
	6,737,770		-		6,737,770
	27,262		468		27,730
	58,804		-		58,804
	<u>11,192,081</u>		<u>468</u>		<u>11,192,549</u>
	(451,820)		(73,911)		(525,731)
	8,788,851		218,662		9,007,513
\$	<u>8,337,031</u>	\$	<u>144,751</u>	\$	<u>8,481,782</u>

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<b>General</b>	<b>Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 1,840,783	\$ 426,009	\$ 216,771	\$ 2,483,563
<b>Receivables:</b>				
Taxes . . . . .	3,281,021	330,270	254,155	3,865,446
Accrued interest . . . . .	1,641	-	-	1,641
Interfund receivable . . . . .	54,342	-	-	54,342
Note receivable . . . . .	-	-	40,650	40,650
Prepayments . . . . .	7,728	-	-	7,728
Materials and supplies inventory . . . . .	20,060	-	-	20,060
<b>Restricted assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	44,853	-	-	44,853
<b>Total assets . . . . .</b>	<b>\$ 5,250,428</b>	<b>\$ 756,279</b>	<b>\$ 511,576</b>	<b>\$ 6,518,283</b>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 30,868	\$ -	\$ 34,251	\$ 65,119
Accrued wages and benefits . . . . .	856,481	-	30,965	887,446
Compensated absences payable . . . . .	107,393	-	-	107,393
Pension obligation payable. . . . .	114,628	-	4,657	119,285
Intergovernmental payable. . . . .	19,664	-	892	20,556
Interfund payable. . . . .	-	-	54,342	54,342
Deferred revenue. . . . .	2,818,802	273,075	215,426	3,307,303
<b>Total liabilities . . . . .</b>	<b>3,947,836</b>	<b>273,075</b>	<b>340,533</b>	<b>4,561,444</b>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	31,303	-	40,541	71,844
Reserved for materials and supplies inventory. . . . .	20,060	-	-	20,060
Reserved for prepayments . . . . .	7,728	-	-	7,728
Reserved for property tax unavailable for appropriation . . . . .	462,219	57,195	38,729	558,143
Reserved for debt service . . . . .	-	426,009	-	426,009
Reserved for BWC refunds. . . . .	44,853	-	-	44,853
<b>Unreserved:</b>				
Designated for budget stabilization. . . . .	420,290	-	-	420,290
<b>Undesignated, reported in:</b>				
General fund . . . . .	316,139	-	-	316,139
Special revenue funds. . . . .	-	-	95,846	95,846
Capital projects funds. . . . .	-	-	(4,073)	(4,073)
<b>Total fund balances . . . . .</b>	<b>1,302,592</b>	<b>483,204</b>	<b>171,043</b>	<b>1,956,839</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 5,250,428</b>	<b>\$ 756,279</b>	<b>\$ 511,576</b>	<b>\$ 6,518,283</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

<b>Total governmental fund balances</b>		\$	1,956,839
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,590,484
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes			167,446
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences	(985,904)		
Pension obligation payable	(24,209)		
Capital lease obligation	(1,615,988)		
General obligation bonds payable	(3,735,000)		
Accrued interest payable	(16,637)		
Total			<u>(6,377,738)</u>
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u>8,337,031</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,652,727	\$ 394,666	\$ 293,369	\$ 4,340,762
Tuition. . . . .	-	-	7,793	7,793
Earnings on investments. . . . .	27,262	-	-	27,262
Extracurricular. . . . .	21,646	-	250,623	272,269
Other local revenues. . . . .	5,153	-	91,925	97,078
Intergovernmental - State. . . . .	6,638,866	44,372	354,800	7,038,038
Intergovernmental - Federal . . . . .	-	-	336,323	336,323
Total revenues. . . . .	<u>10,345,654</u>	<u>439,038</u>	<u>1,334,833</u>	<u>12,119,525</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,239,020	-	219,548	6,458,568
Special. . . . .	585,579	-	222,917	808,496
Vocational. . . . .	75,061	-	-	75,061
Other. . . . .	1,084	-	-	1,084
Support services:				
Pupil. . . . .	331,788	-	24,553	356,341
Instructional staff . . . . .	376,927	-	109,146	486,073
Board of education . . . . .	7,535	-	-	7,535
Administration. . . . .	973,837	-	63,810	1,037,647
Fiscal . . . . .	335,422	-	15,078	350,500
Business. . . . .	21,318	-	-	21,318
Operations and maintenance. . . . .	835,284	-	191,916	1,027,200
Pupil transportation . . . . .	413,361	-	16,249	429,610
Central. . . . .	345,224	7,166	87,668	440,058
Operation of non-instructional services . . . . .	38,156	-	-	38,156
Extracurricular activities. . . . .	231,988	-	186,691	418,679
Capital outlay . . . . .	-	-	127,077	127,077
Debt service:				
Principal retirement . . . . .	52,326	75,000	165,668	292,994
Interest and fiscal charges . . . . .	71,897	201,711	35,665	309,273
Total expenditures . . . . .	<u>10,935,807</u>	<u>283,877</u>	<u>1,465,986</u>	<u>12,685,670</u>
Excess of revenues over (under) expenditures . . . . .	<u>(590,153)</u>	<u>155,161</u>	<u>(131,153)</u>	<u>(566,145)</u>
<b>Other financing sources (uses):</b>				
Capital lease transaction. . . . .	-	-	127,077	127,077
Transfers in . . . . .	-	-	76,509	76,509
Transfers (out). . . . .	(76,509)	-	-	(76,509)
Total other financing sources (uses) . . . . .	<u>(76,509)</u>	<u>-</u>	<u>203,586</u>	<u>127,077</u>
Net change in fund balances . . . . .	(666,662)	155,161	72,433	(439,068)
<b>Fund balances at beginning of</b>				
<b>year (restated) . . . . .</b>	<u>1,969,254</u>	<u>328,043</u>	<u>98,610</u>	<u>2,395,907</u>
<b>Fund balances at end of year. . . . .</b>	<u>\$ 1,302,592</u>	<u>\$ 483,204</u>	<u>\$ 171,043</u>	<u>\$ 1,956,839</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

<b>Net change in fund balances - total governmental funds</b>	\$	(439,068)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$607,093) exceeds capital outlays (\$258,625) in the current period.		(348,468)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(24,304)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		27,483
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		292,994
Proceeds of capital leases are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets.		(127,077)
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		344
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		166,276
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(451,820)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2004

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>
<b>Assets:</b>	
Current assets:	
Equity in pooled cash and cash equivalents. . . . .	\$ 12,299
Receivables:	
Intergovernmental . . . . .	11,440
Materials and supplies inventory . . . . .	3,300
Total current assets . . . . .	27,039
Noncurrent assets:	
Capital assets, net. . . . .	142,524
Total assets . . . . .	169,563
<b>Liabilities:</b>	
Current liabilities:	
Accrued wages and benefits . . . . .	8,392
Pension obligation payable. . . . .	1,930
Intergovernmental payable . . . . .	426
Total current liabilities:	10,748
Non-current liabilities:	
Compensated absences . . . . .	14,064
Total liabilities . . . . .	24,812
<b>Net assets:</b>	
Invested in capital assets . . . . .	142,524
Unrestricted. . . . .	2,227
Total net assets . . . . .	\$ 144,751

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>
	<b>Fund</b>
<b>Operating revenues:</b>	
Sales/charges for services . . . . .	\$ 370,996
Total operating revenues . . . . .	370,996
<b>Operating expenses:</b>	
Personal services . . . . .	321,463
Purchased services. . . . .	1,967
Materials and supplies. . . . .	279,781
Depreciation . . . . .	18,356
Total operating expenses . . . . .	621,567
Operating loss. . . . .	(250,571)
<b>Nonoperating revenues:</b>	
Federal donated commodities . . . . .	63,562
Interest revenue . . . . .	468
Grants and subsidies . . . . .	112,630
Total nonoperating revenues . . . . .	176,660
Change in net assets. . . . .	(73,911)
<b>Net assets at beginning of year (restated) .</b>	<b>218,662</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 144,751</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities - Nonmajor Enterprise Fund</b>
<b>Cash flows from operating activities:</b>	
Cash received from sales/charges for services. . . . .	\$ 380,857
Cash payments for personal services. . . . .	(316,716)
Cash payments for contractual services . . . . .	(1,967)
Cash payments for materials and supplies . . . . .	(217,916)
Net cash used in operating activities . . . . .	(155,742)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from grants and subsidies . . . . .	101,190
Net cash provided by noncapital financing activities. . . . .	101,190
<b>Cash flows from capital and related financing activities:</b>	
Acquisition of capital assets . . . . .	(3,800)
Net cash used in capital and related financing activities. . . . .	(3,800)
<b>Cash flows from investing activities:</b>	
Interest received . . . . .	468
Net cash provided by investing activities . . . . .	468
Net decrease in cash and cash equivalents. . . . .	(57,884)
<b>Cash and cash equivalents at beginning of year (restated) . . . . .</b>	<b>70,183</b>
<b>Cash and cash equivalents at end of year. . . . .</b>	<b>\$ 12,299</b>

-- continued

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

		<b>Business-Type Activities - Nonmajor Enterprise Fund</b>
		<u>                    </u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss . . . . .	\$	(250,571)
Adjustments:		
Depreciation. . . . .		18,356
Federal donated commodities . . . . .		63,562
Changes in assets and liabilities:		
Increase in materials and supplies inventory . . . . .		(513)
Decrease in accounts receivable . . . . .		9,861
Decrease in accounts payable. . . . .		(1,184)
Increase in accrued wages and benefits . . . . .		1,559
Increase in intergovernmental payable. . . . .		426
Increase in compensated absences payable. . . . .		832
Increase in pension obligation payable. . . . .		<u>1,930</u>
Net cash used in operating activities . . . . .	<u>\$</u>	<u>(155,742)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 11,349
Total assets. . . . .	<u>\$ 11,349</u>
<b>Liabilities:</b>	
Due to students . . . . .	\$ 11,349
Total liabilities . . . . .	<u>\$ 11,349</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Genoa Area Local School District (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 local school district as defined by Section 3311.03 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.

The District is the 327<sup>th</sup> largest in the State of Ohio (among 613 public school districts) in terms of enrollment. It is staffed by 76 non-certificated employees and 110 certificated full-time teaching personnel who provide services to 1,737 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, 1 athletic complex and 1 bus garage.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its enterprise fund provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activity and enterprise fund, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". When applying GASB Statement No. 14 and No. 39, management has considered all potential component units. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the debt, the issuance of debt, or the levying of taxes. Based upon the application of this criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*JOINTLY GOVERNED ORGANIZATIONS*

*Northern Ohio Educational Computer Association*

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

*Penta County Career Centers*

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. Financial information is available from Carrie Herringshaw, Treasurer, 3009 S. Oregon Road, Perrysburg, Ohio 43551-4594.

*INSURANCE PURCHASING POOLS*

*Ohio Association of School Business Officials Workers' Compensation Group Rating Plan*

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio Association of School Business Officials (OASBO) as a group purchasing pool.

The Executive Director of the OASBO, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

*The San-Ott School Employees Welfare Benefit Association*

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Jay Valasek, Treasurer of Vanguard-Sentinel Vocational Schools, at 1306 Cedar Street, Fremont, Ohio 43420.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**B. Fund Accounting**

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

*General Fund* - The general 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 for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary and trust funds; and (b) for grants and other resources whose use is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund:

*Enterprise Funds* - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one enterprise fund to account for food service operations. This enterprise fund is considered a nonmajor enterprise fund.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds 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 has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**C. Basis of Presentation and Measurement Focus**

*Government-wide Financial Statements* - The statement of net assets and the 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 statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program 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 and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. 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 funds 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 a 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 financing uses) of current financial resources.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

**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 on the fund financial statements. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - 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 fiscal year-end.

Nonexchange 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 6). 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 nonexchange transactions must also be available before it can be recognized.

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

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 the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

*Expenses/Expenditures* - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within 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. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2004.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2004.
9. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. 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 Cash Equivalents" on the financial statements.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2004 amounted to \$27,262 which includes \$5,676 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the statement of net assets, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year-end is provided in Note 4.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**G. Inventory**

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

**H. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These 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. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$300. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of governmental activities capital assets is not capitalized.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	5 - 30 years	N/A
Buildings and improvements	8 - 50 years	N/A
Furniture/equipment	4 - 20 years	5 - 20 years
Vehicles	5 - 20 years	N/A

**I. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental 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.



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees who were within five years of becoming eligible to retire under STRS and SERS were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

The entire compensated absence liability is reported on the government-wide financial statements.

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employees retirement/resignation has been incurred by fiscal year-end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees are paid. In proprietary fund, the entire amount of compensated absences is reported as a fund liability.

**K. 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 fund are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and future retirement obligations 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 year. Bonds are recognized as a liability in the fund financial statements when due.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Fund Balance Reserves and Designations**

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 appropriation or expenditure. 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, material and supplies, prepayments, debt service, property taxes unavailable for appropriation and Bureau of Workers Compensation (BWC) refunds which are reserved for budget stabilization. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute. A fund balance designation is reported for amounts set-aside by the District for budget stabilization.

**M. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside to create a reserve for budget stabilization. See Note 17 for details.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Q. Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary fund. For the District, these revenues are sales for food service operations. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**R. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

**S. 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 fiscal 2004.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

**GENOA AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB No. 34 creates new basic financial statements for reporting on the District's financial activities. The basic financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the District's programs for governmental activities. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by reclassification of funds and the conversion to the accrual basis of accounting.

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. In addition, the District has presented prior period adjustments to eliminate interfund loans and to properly present cash balances in the previous year. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

Prior period adjustments, fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance				
June 30, 2003	\$ 2,360,235	\$ 382,994	\$ (577,705)	\$ 2,165,524
Fund reclassification	44,560	-	3,093	47,653
Elimination of interfund loans	(645,806)	(36,391)	682,197	-
Adjustments to cash balances	(6,630)	(18,560)	(27,601)	(52,791)
Implementation of GASB				
Interpretation No. 6	<u>216,895</u>	<u>-</u>	<u>18,626</u>	<u>235,521</u>
Adjusted fund balance,				
June 30, 2003	<u>\$ 1,969,254</u>	<u>\$ 328,043</u>	<u>\$ 98,610</u>	<u>\$ 2,395,907</u>

**GENOA AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

The transition from governmental fund balances to net assets of the governmental activities is presented as follows:

	<u>Total</u>
Adjusted fund balance, June 30, 2003	\$ 2,395,907
GASB 34 adjustments:	
Long-term (deferred) assets	139,963
Capital assets	12,963,256
Accrued interest payable	(16,981)
Long-term liabilities	<u>(6,693,294)</u>
Governmental activities net assets, June 30, 2003	<u>\$ 8,788,851</u>

*Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) - General Fund* - The general fund unencumbered fund balance at the beginning of the year has been restated from \$3,335,079 to \$2,518,035 due to fund reclassifications to properly reflect their intended purpose in accordance with GASB Statement No. 34 and a prior period adjustment to properly restate cash balances.

*Business-type Activities - Fund Reclassification and Restatement of Fund Equity* - Capital assets in the Food Service enterprise fund have been restated to reflect a reclassification between the governmental and business – type activities in the previous year. In addition, a prior period adjustment has been presented for the correction of the cash balance previously presented and to record compensated absences which were included with the governmental funds in the previous year.

	<u>Nonmajor Enterprise</u>
Fund equity as previously reported	\$ 122,407
Adjustment to correct cash balance	(1,245)
Adjustment to include compensated absences	(13,232)
Adjustment for correction of capital assets, net	<u>110,732</u>
Restated net assets as of July 1, 2003	<u>\$ 218,662</u>

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

<u>Nonmajor Funds</u>	
EMIS	\$ 809
Public Preschool	10
Summer Intervention	59
Title I	24,029
Drug-Free Schools	7
Classroom Reduction Grant	5,595
Miscellaneous Federal Grants	10

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

These funds complied with Ohio state law, which does not permit cash basis deficits. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. These deficits should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

State statute classifies 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 the Board of Education has identified as not required for use within the current five-year 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 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 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 finance 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.

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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

5. 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;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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.

*Cash on Hand:* At fiscal year-end, the District had \$100 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of custodial credit risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

*Deposits:* At fiscal year-end, the carrying amount of the District's deposits was \$2,551,964 and the bank balance was \$2,618,761. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$2,318,761 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be placed as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

*Investments:* The District had no investments at June 30, 2004.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)**

The classification of cash and cash equivalents on the basic financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents on the basic financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>
GASB Statement No. 9	\$ 2,552,064
Cash on hand	<u>(100)</u>
GASB Statement No. 3	<u>\$ 2,551,964</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

A. Interfund loans receivable/payable consisted of the following at June 30, 2004, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 54,342

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 for the year ended June 30, 2004, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 76,509

Transfers are used to move revenues from the fund that statute or budget required 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 budgetary authorizations.

**NOTE 6 - PROPERTY TAXES**

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



**GENOA AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$462,219 in the general fund, \$57,195 in the debt service fund and \$38,729 in the nonmajor governmental funds. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2003 was \$289,770 in the general fund, \$34,199 in the debt service fund, and \$25,248 in the nonmajor governmental funds.

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 123,348,790	87.72	\$ 137,419,100	89.07
Public Utility Personal	6,704,130	4.77	6,325,080	4.11
Tangible Personal Property	<u>10,561,057</u>	<u>7.51</u>	<u>10,521,706</u>	<u>6.82</u>
<b>Total</b>	<u>\$ 140,613,977</u>	<u>100.00</u>	<u>\$ 154,265,886</u>	<u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 61.90		 \$ 59.70	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes, accrued interest, notes, 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 year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b>Governmental Activities</b>	
Taxes - current and delinquent	\$ 3,865,446
Note receivable	40,650
Accrued interest	1,641
 <b>Business-type Activities</b>	
Intergovernmental	<u>11,440</u>
 Total receivables	 <u>\$ 3,919,177</u>

Receivables have been disaggregated on the face of the basic finance statements. All receivables are expected to be collected within the subsequent year.

**GENOA AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 8 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities and business-type activities have been restated due to errors and omissions in the amount previously reported and for recording accumulated depreciation as of July 1, 2003 in connection with the adoption of GASB 34.:

	Balance		Restated Balance
	<u>June 30, 2003</u>	<u>Adjustments</u>	<u>June 30, 2003</u>
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ 341,835	\$ -	\$ 341,835
Total capital assets, not being depreciated	<u>341,835</u>	<u>-</u>	<u>341,835</u>
Capital assets, being depreciated:			
Land improvements	472,269	-	472,269
Buildings and improvements	13,130,983	-	13,130,983
Furniture and equipment	2,819,108	(136,798)	2,682,310
Vehicles	1,283,861	-	1,283,861
Textbooks	<u>430,483</u>	<u>(430,483)</u>	<u>-</u>
Total capital assets, being depreciated	<u>18,136,704</u>	<u>(567,281)</u>	<u>17,569,423</u>
<i>Less: accumulated depreciation:</i>	<u>(5,239,847)</u>	<u>291,845</u>	<u>(4,948,002)</u>
Governmental activities capital assets, net	<u>\$ 13,238,692</u>	<u>\$ (275,436)</u>	<u>\$ 12,963,256</u>
<b>Business-Type Activities</b>			
Capital assets, being depreciated:			
Furniture and equipment	178,624	136,798	315,422
Total capital assets, being depreciated	<u>178,624</u>	<u>136,798</u>	<u>315,422</u>
<i>Less: accumulated depreciation:</i>	<u>(132,276)</u>	<u>(26,066)</u>	<u>(158,342)</u>
Business-Type activities capital assets, net	<u>\$ 46,348</u>	<u>\$ 110,732</u>	<u>\$ 157,080</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 8 - CAPITAL ASSETS - (Continued)**

**B.** Capital asset activity for the fiscal year-ended June 30, 2004, was as follows:

	Restated Balance <u>June 30, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 341,835	\$ -	\$ -	\$ 341,835
Construction in progress	<u>-</u>	<u>60,755</u>	<u>-</u>	<u>60,755</u>
Total capital assets, not being depreciated	<u>341,835</u>	<u>60,755</u>	<u>-</u>	<u>402,590</u>
Capital assets, being depreciated:				
Land improvements	472,269	-	(2,018)	470,251
Buildings and improvements	13,130,983	2,298	(23,375)	13,109,906
Furniture and equipment	2,682,310	195,572	(59,604)	2,818,278
Vehicles	<u>1,283,861</u>	<u>-</u>	<u>-</u>	<u>1,283,861</u>
Total capital assets, being depreciated	<u>17,569,423</u>	<u>197,870</u>	<u>(84,997)</u>	<u>17,682,296</u>
Less: accumulated depreciation				
Land improvements	(306,704)	(7,603)	1,816	(312,491)
Buildings and improvements	(2,379,144)	(325,747)	15,648	(2,689,243)
Furniture and equipment	(1,561,920)	(210,237)	43,229	(1,728,928)
Vehicles	<u>(700,234)</u>	<u>(63,506)</u>	<u>-</u>	<u>(763,740)</u>
Total accumulated depreciation	<u>(4,948,002)</u>	<u>(607,093)</u>	<u>60,693</u>	<u>(5,494,402)</u>
Governmental activities capital assets, net	<u>\$ 12,963,256</u>	<u>\$ (348,468)</u>	<u>\$ (24,304)</u>	<u>\$ 12,590,484</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Furniture and equipment	\$ 315,422	\$ 3,800	\$ -	\$ 319,222
Less: accumulated depreciation	<u>(158,342)</u>	<u>(18,356)</u>	<u>-</u>	<u>(176,698)</u>
Business-type activities capital assets, net	<u>\$ 157,080</u>	<u>\$ (14,556)</u>	<u>\$ -</u>	<u>\$ 142,524</u>

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 302,035
Support Services:	
Instructional staff	62,679
Administration	48,533
Fiscal	3,120
Operations and maintenance of plant	25,005
Pupil transportation	75,647
Extracurricular	<u>90,074</u>
Total depreciation expense	<u>\$ 607,093</u>

**NOTE 9 - OPERATING LEASES**

The District leases certain operating equipment and building under noncancelable operating leases.

The following is a schedule of the future minimum rental payments required under these operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 20, 2004:

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2005	\$ 51,300
2006	<u>21,400</u>
Total	<u>\$ 72,700</u>

The net expense for the year ended June 30, 2004 was \$54,360.

**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

During a prior fiscal year, the District entered into capital lease agreements for the acquisition of the District's central office, weight equipment, athletic complex and sign. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

**GENOA AREA LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)**

The athletic facility referred to in the previous paragraph is leased from Genoa Athletic Boosters Facility Company, LLC, a company in which an officer of the company is also an officer of the District under a non-cancelable fifteen year capital lease expiring on January 18, 2018 for \$9,650 per month. The total amount of payments made in 2004 is \$115,800.

Governmental activities capital assets consisting of the District's central office, weight equipment, athletic complex and sign have been capitalized and are included in the District's capital assets. The amounts capitalized represent the present value of the future minimum lease payments at the time of acquisition.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2004 fiscal year totaled \$217,994 and \$107,562, respectively. These amounts are reported as debt service payments of the general fund and nonmajor governmental funds.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

Year Ending June 30	Amount
2005	\$ 278,282
2006	253,312
2007	210,300
2008	208,180
2009	206,574
2010 - 2014	842,336
2015 - 2017	303,020
Total minimum lease payment	2,302,004
Less: amount representing interest	(686,016)
Present value of minimum lease payments	\$ 1,615,988

**NOTE 11 - LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$212,401 from \$990,296 to \$1,202,697 due to the implementation of GASB Interpretation No. 6 and the fund reclassifications described in Note 3.A. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$212,401 from \$6,507,201 to \$6,719,602. During fiscal year 2004, the following changes occurred in governmental and business-type activities long-term obligations:

**GENOA AREA LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

	Restated Balance			Balance	Amount Due in
	<u>June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2004</u>	<u>One Year</u>
<b>Governmental Activities:</b>					
Compensated absences payable	\$ 1,202,697	\$ -	\$ (109,400)	\$ 1,093,297	\$ 248,068
General obligation bonds payable	3,810,000	-	(75,000)	3,735,000	80,000
Capital lease obligation	<u>1,706,905</u>	<u>127,077</u>	<u>(217,994)</u>	<u>1,615,988</u>	<u>168,878</u>
Total governmental activities long-term liabilities	<u>\$ 6,719,602</u>	<u>\$ 127,077</u>	<u>\$ (402,394)</u>	<u>\$ 6,444,285</u>	<u>\$ 496,946</u>
<b>Business-Type Activities:</b>					
Compensated absences	<u>13,232</u>	<u>832</u>	<u>-</u>	<u>14,064</u>	<u>-</u>
Total business-type	<u>\$ 13,232</u>	<u>\$ 832</u>	<u>\$ -</u>	<u>\$ 14,064</u>	<u>\$ -</u>

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund and nonmajor governmental funds. See Note 10 for details.

General Obligation Bonds: On July 1, 1999, the District issued \$3,959,000 in general obligation bonds (Series 2000, School Facilities Improvement Bonds), for the purpose of construction and renovation of school facilities. These bonds are general obligations of the District, for which its full faith and credit is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.15 (average) mill bonded permanent improvement tax levy. The bonds are schedule to mature on December 1, 2027.

- B.** Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

Fiscal Year Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
2005	\$ 80,000	\$ 197,446	\$ 277,446
2006	85,000	192,909	277,909
2007	90,000	188,097	278,097
2008	95,000	183,009	278,009
2009	100,000	177,648	277,648
2010 - 2014	580,000	800,706	1,380,706
2015 - 2019	750,000	629,927	1,379,927
2020 - 2024	970,000	401,943	1,371,943
2025 - 2028	985,000	109,485	1,094,485
Total	<u>\$ 3,735,000</u>	<u>\$ 2,881,170</u>	<u>\$ 6,616,170</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$10,632,134 (including available funds of \$483,204) and unvoted debt margin of 154,266.

**NOTE 12 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn days of vacation depending upon contract. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave is accumulated to a maximum of 280 days for certified and administrative employees and 210 days for classified employees. Upon retirement, payment is made for thirty-five percent of total sick leave accumulation for certified and administrative employees to a maximum of eighty-five days and thirty-three percent of total sick leave accumulation for classified employees to a maximum of seventy days. An employee receiving such payment must meet the retirement provisions set by STRS and SERS.

**B. Group Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 13 - RISK MANAGEMENT**

**A. Property and Liability**

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 maintains comprehensive insurance coverage with private carriers for real property, building contents, general liability and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured. Settled claims have not exceeded the commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**B. Employee Group Health Insurance**

The District participates with other school district in the San-Ott Consortium (the Pool) in a jointly funded risk financing program administered by the Huntington Bank and Trust Company. The Pool includes nine member school districts and the Ottawa County Education Center. The program is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, prescription drug insurance, dental insurance and vision insurance. Each member district has an option on the coverage it has elected for its employees. The District provides to its employees all available options offered by the Pool.

A third party, Group Health Care and Medical Mutual of Ohio headquartered in Toledo, Ohio, reviews all claims which are then paid by the Pool. As of June 30, 2004, the Pool has cash reserves of \$3,521,652, which, in the opinion of San-Ott Consortium management, is adequate for any claims against the Pool.

During the fiscal year the District paid \$691,113 into the Pool for coverage. These costs are paid by the fund that pays the salary for the covered employees. The Pool purchases insurance coverage for excess claims to limit the potential loss to its members. The amount of risk retained within the Pool is an annual aggregate limit of \$100,000 per individual and claims exceeding that limit are covered by stop-loss insurance provided by a commercial insurer. The members, including the District, may be liable for any claims which exceed the Pool's assets and are less than the excess claims amount, which could be charged to members at a pro-rata share of the individual member's premium to the total Pool premiums. Financial information relating to the Pool may be obtained by writing to San-Ott Consortium, c/o Vanguard, 1306 Cedar Street, Fremont, OH 43420.

**C. Worker's Compensation Plan**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. Participants in the GRP are placed on tiers according to their loss history. Participants with low loss histories are rewarded with greater savings than participants with higher loss histories. Each participant pays its workers' compensation premium to the state based on the rate for its GRP tier rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the GRP.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (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 State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% 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 a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$403,910, \$382,000, and \$342,000, respectively; the required contributions have been made for all fiscal years.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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% 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. 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. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 14 - DEFINED BENEFIT PENSION PLANS – (Continued)**

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.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% 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 years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,024,378, \$865,000, and \$781,000, respectively; the required contributions have been made for all fiscal years. Contributions to the DC and Combined Plans for fiscal 2004 were \$8,124 made by the District and \$17,273 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$59,623 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 15 - POSTEMPLOYMENT BENEFITS – (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% 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 at \$25,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million 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 and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$90,091 during the 2004 fiscal year.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local 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 District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 17 - STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization Reserved</u>	<u>Designated</u>
Set-aside cash balance as of June 30, 2003	\$ -	\$ -	\$ 44,853	\$ 420,290
Current year set-aside requirement	231,875	231,875	-	-
Qualifying disbursements	<u>(275,938)</u>	<u>(250,521)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (44,063)</u>	<u>\$ (18,646)</u>	<u>\$ 44,853</u>	<u>\$ 420,290</u>
Balance carried forward to FY 2005	<u>\$ (44,063)</u>	<u>\$ -</u>	<u>\$ 44,853</u>	<u>\$ 420,290</u>

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

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

A schedule of the governmental fund restricted assets at June 30, 2004 follows:

Amount restricted for budget stabilization	<u>\$ 44,853</u>
Total restricted assets	<u>\$ 44,853</u>

**NOTE 18 - SIGNIFICANT SUBSEQUENT EVENT**

The District entered into a lease for a newly constructed football stadium which was scheduled to be completed during fiscal year 2005.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,454,545	\$ 3,454,545	\$ 3,480,278	\$ 25,733
Earnings on investments. . . . .	25,432	25,432	25,621	189
Extracurricular. . . . .	30,000	30,000	21,646	(8,354)
Other local revenues . . . . .	4,131	4,131	4,162	31
Intergovernmental - State . . . . .	6,589,778	6,589,778	6,638,865	49,087
Total revenues. . . . .	<u>10,103,886</u>	<u>10,103,886</u>	<u>10,170,572</u>	<u>66,686</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,344,839	6,401,749	6,324,912	76,837
Special. . . . .	596,759	602,183	600,795	1,388
Vocational. . . . .	65,507	66,102	65,957	145
Other. . . . .	1,077	1,086	1,084	2
Support services:				
Pupil. . . . .	334,099	337,131	335,892	1,239
Instructional staff . . . . .	395,613	399,105	386,744	12,361
Board of education . . . . .	7,483	7,552	7,535	17
Administration. . . . .	1,014,655	1,023,834	1,016,604	7,230
Fiscal . . . . .	341,566	344,656	342,304	2,352
Business . . . . .	21,172	21,365	21,318	47
Operations and maintenance. . . . .	850,558	858,192	849,980	8,212
Pupil transportation . . . . .	406,775	410,466	408,766	1,700
Central. . . . .	329,647	332,644	331,913	731
Operation of non-instructional services . . . . .	39,796	40,154	39,672	482
Extracurricular activities. . . . .	227,523	229,591	229,087	504
Total expenditures . . . . .	<u>10,977,069</u>	<u>11,075,810</u>	<u>10,962,563</u>	<u>113,247</u>
Excess of revenues over (under) expenditures. . . . .	<u>(873,183)</u>	<u>(971,924)</u>	<u>(791,991)</u>	<u>179,933</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure. . . . .	2,671	2,671	2,691	20
Transfers (out) . . . . .	(84,428)	(85,196)	(76,509)	8,687
Advances in. . . . .	136,222	136,222	137,237	1,015
Advances (out) . . . . .	(53,971)	(54,462)	(54,342)	120
Total other financing sources (uses) . . . . .	<u>494</u>	<u>(765)</u>	<u>9,077</u>	<u>9,842</u>
Net change in fund balance . . . . .	(872,689)	(972,689)	(782,914)	189,775
<b>Fund balance at beginning of year (restated).</b>	2,518,035	2,518,035	2,518,035	-
<b>Prior year encumbrances appropriated . . . . .</b>	90,468	90,468	90,468	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,735,814</u>	<u>\$ 1,635,814</u>	<u>\$ 1,825,589</u>	<u>\$ 189,775</u>

- - continued

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

While reporting financial position and changes in financial position/fund balance on the basis of generally accepted accounting principals (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements plus encumbrances.

The adjustments necessary to convert the changes in financial position/fund balance for the year on the budget basis to the GAAP basis for the general fund are as follows:

	General Fund
Budget basis	\$ (782,914)
Net adjustment for revenue accruals	175,082
Net adjustment for expenditure accruals	(33,291)
Net adjustment for other sources/uses	(85,586)
Adjustment for encumbrances	60,047
GAAP basis	\$ (666,662)



REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Genoa Area Local School District  
2810 N. Genoa Clay Center Road  
Genoa, OH 43430

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Genoa Area Local School District as of and for the year ended June 30, 2004, which collectively comprise the Genoa Area Local School District's ("District") basic financial statements and have issued our report thereon dated May 16, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control 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 that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Board of Education

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Compliance and Other Matters

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

This report is intended solely for the information of and use of the District's Board of Education and its management. It is not intended to be and should not be used by anyone other than these specified parties.

Weber O'Brien Ltd.

May 16, 2005





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**GENOA AREA LOCAL SCHOOL DISTRICT**

**OTTAWA COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 30, 2005**