

Georgetown Exempted Village School District

Brown County

Single Audit

July 1, 2006 through June 30, 2007

Fiscal Year Audited Under GAGAS: 2007

BALESTRA, HARR & SCHERER, CPAs, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639, www.bhscpas.com



Mary Taylor, CPA
Auditor of State

Board of Education
Georgetown Exempted Village School District
1043 Mt. Orab Pike
Georgetown, Ohio 45121-8440

We have reviewed the *Independent Auditor's Report* of the Georgetown Exempted Village School District, Brown County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Georgetown Exempted Village School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 20, 2008

This Page is Intentionally Left Blank.

GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
Table of Contents

TITLE	PAGE
Independent Auditor’s Report	1
Management’s Discussion and Analysis	3
Basic Financial Statements:	
Government – Wide Financial Statements:	
Statement of Net Assets	9
Statement of Activities.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	12
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	15
Statement of Fiduciary Net Assets – Fiduciary Funds.....	16
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	17
Notes to the Basic Financial Statements	18
Schedule of Federal Awards Expenditures.....	40
Notes to the Schedule of Federal Awards Expenditures.....	41
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	42
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	44
Schedule of Findings and Questioned Costs – OMB Circular A-133 § .505	46
Corrective Action Plan – OMB Circular A-133 § .315(c).....	51
Schedule of Prior Audit Findings – OMB Circular A-133 § .315(b)	52

This Page is Intentionally Left Blank.

BALESTRA, HARR & SCHERER, CPAS, INC.
528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Georgetown Exempted Village School District
1043 Mt. Orab Pike
Georgetown, Ohio 45121

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Georgetown Exempted Village School District (the School District), Brown County, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

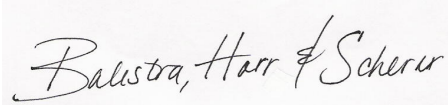
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2007, and the respective changes in financial position thereof, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2008, on our consideration of the School 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 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Georgetown Exempted Village School District
Independent Auditor's Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in dark ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

February 15, 2008

Georgetown Exempted Village School District

Management's Discussion and Analysis For the Fiscal Year Ended June 30, 2007 Unaudited

The discussion and analysis of the Georgetown Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year 2007 are as follows:

- Net assets of governmental activities decreased \$1,001,816.
- General revenues accounted for \$8,434,611 in revenue or 79% of all revenues. Program specific revenues in the form of charges for services, grants, and contributions, accounted for \$2,295,021 or 21% of total revenues of \$10,729,632.
- The School District had \$11,731,448 in expenses and special items related to governmental activities; \$2,295,021 of these expenses were offset by program specific charges for services, and grants and contributions. All but \$1,001,816 of these expenses were offset by general revenues.

USING THIS ANNUAL FINANCIAL REPORT

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 Georgetown Exempted Village School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other non-major funds presented in total in one column.

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains information about the large number of funds used by the School District to provide programs and activities for students, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

Georgetown Exempted Village School District

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

In the Statement of Net Assets and the Statement of Activities, all of the School District's programs and services are reported as governmental activities including instruction, support services, operation of non instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 7. Fund financial statements provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement Fund, and the Classroom Facilities Capital Projects Fund.

Governmental Funds Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at fiscal 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 that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The School District's fiduciary funds are agency funds which are used to maintain financial activity of the School District's Student Managed Activities, and private purpose trust funds which are used to maintain the financial activity of the School District's Scholarship Funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In accordance with GASB 34, fiduciary funds are not included in the government-wide financial statements.

Georgetown Exempted Village School District

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited

THE SCHOOL DISTRICT AS A WHOLE

Recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2007 compared to 2006.

Table 1
Net Assets

	Governmental Activities	
	2007	2006*
Assets		
Current and Other Assets	\$5,357,549	\$8,783,307
Capital Assets	28,085,955	26,598,735
Total Assets	<u>33,443,504</u>	<u>35,382,042</u>
Liabilities		
Long-term Liabilities	5,766,067	5,601,953
Current and Other Liabilities	2,810,390	3,911,226
Total Liabilities	<u>8,576,457</u>	<u>9,513,179</u>
Net Assets		
Invested in Capital Assets, Net of Debt	22,861,885	21,567,589
Restricted	1,616,037	4,934,705
Unrestricted (Deficit)	389,125	(633,431)
Total Net Assets	<u>\$24,867,047</u>	<u>\$25,868,863</u>

* Restated, See Note 21.

The School District's capital assets increased \$1.49 million due primarily to the addition of assets related to the classroom facilities project. Current and Other Assets decreased primarily due to capital outlay for the classroom facilities project reducing cash balances. Total net assets of the District as a whole decreased \$1,001,816. Invested in Capital Assets increased \$1.3 million and restricted net assets decreased \$3.3 million primarily due to the capital outlay for the classroom facilities project.

Georgetown Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Table 2 shows the changes in net assets for the fiscal year ended June 30, 2007 as compared to 2006.

Table 2
Changes in Net Assets

	Governmental Activities	
	2007	2006*
Revenues		
Program Revenues		
Charges for Services	\$ 655,920	\$ 625,459
Operating Grants and Contributions	1,639,101	1,178,317
Total Program Revenues	2,295,021	1,803,776
General Revenues		
Property Taxes	2,960,988	2,338,327
Grants and Entitlements not Restricted to Specific Programs	4,964,993	4,762,753
Grants and Entitlements Restricted for Classroom Facilities	-	423,080
Gifts and Donations not Restricted to Specific Programs	5,084	1,975
Investment Earnings	199,951	359,168
Miscellaneous	303,595	266,308
Total General Revenues	8,434,611	8,151,611
Total Revenues	10,729,632	9,955,387
Program Expenses		
Instruction:		
Regular	5,065,862	4,499,992
Special	1,136,408	1,082,690
Vocational	148,857	119,959
Support Services:		
Pupil	195,213	226,522
Instructional Staff	342,357	364,953
Board of Education	349,813	425,266
Administration	666,570	656,871
Fiscal	294,708	282,837
Operation and Maintenance of Plant	817,788	660,124
Pupil Transportation	405,899	466,667
Central	9,662	-
Operation of Non-Instructional Services	331,781	368,478
Extracurricular Activities	121,360	153,325
Interest and Fiscal Charges	263,445	226,841
Total Expenses	10,149,723	9,534,525
Increase in Net Assets Before Special Items	579,909	420,862
Special Item - Loss on Disposal of Capital Assets	(1,581,725)	-
Increase (Decrease) in Net Assets	(1,001,816)	420,862
Net Assets, Beginning of Year	25,868,863	25,448,001
Net Assets, End of Year	\$ 24,867,047	\$ 25,868,863

* Restated, See Note 21.

Georgetown Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

Grants and entitlements not restricted to specific programs made up 46% of total revenues while property taxes made up 28% of total revenues. General revenues made up 79% of total revenues. Program revenues made up 21% of total revenues. Investment earnings declined from 2006 as cash balances declined due to disbursements for the classroom facilities project. Property tax revenue increased due to collections for a permanent improvement levy.

Regular instruction made up 50% of total expenses, while special instruction and operation of maintenance and plant made up 11% and 8% of total expenses respectively. Regular instruction costs increased primarily due to increased depreciation expense related to the classroom facilities project.

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

Table 3
Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2007		2006	
Program Expenses				
Instruction:				
Regular	\$ 5,065,862	\$ 4,781,371	\$ 4,499,992	\$ 4,211,836
Special	1,136,408	533,261	1,082,690	544,036
Vocational	148,857	133,478	119,959	113,948
Support Services:				
Pupil	195,213	183,362	226,522	214,876
Instructional Staff	342,357	274,975	364,953	330,413
Board of Education	349,813	327,630	425,266	402,191
Administration	666,570	635,440	656,871	620,863
Fiscal	294,708	278,650	282,837	264,720
Operation and Maintenance of Plant	817,788	715,502	660,124	624,383
Pupil Transportation	405,899	215,489	466,667	210,596
Central	9,662	(2,546)	-	-
Operation of Non-Instructional Services	331,781	(278,314)	368,478	(18,327)
Extracurricular Activities	121,360	(167,432)	153,325	53,734
Interest and Fiscal Charges	263,445	223,836	226,841	157,480
Total	<u>\$ 10,149,723</u>	<u>\$ 7,854,702</u>	<u>\$ 9,534,525</u>	<u>\$ 7,730,749</u>

THE SCHOOL DISTRICT FUNDS

The School District's governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$11,006,047 and expenditures of \$13,489,554.

The School District has three major funds; the General Fund, Bond Retirement Fund, and the Classroom Facilities Capital Projects Fund. The General Fund had \$8,088,971 in revenues and \$8,125,758 in expenditures. The General fund balance decreased \$36,787. The Bond Retirement Fund had \$409,968 in revenues and \$469,562 in expenditures. The Bond Retirement Fund balance decreased \$59,594. The Classroom Facilities Capital Projects Fund had \$421,134 in revenues and \$3,353,359 in expenditures. The Classroom Facilities fund balance decreased by \$2,932,225 due primarily to the District expending the money for the classroom facilities project.

Georgetown Exempted Village School District

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007
Unaudited*

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the School District amended its General Fund budget.

For the General Fund, final budget basis revenue was \$7,940,069, which decreased from the original estimates of \$8,075,248. For the General Fund, final budget basis expenditures were \$8,164,222, which increased from the original estimates of \$7,589,294. The School District's actual budget basis expenditures were \$9,990 below final estimates. The School District's ending unobligated General Fund balance was \$681,856.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the School District had \$28,085,955 invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, and library and textbooks. For additional information on capital assets, see Note 11 to the basic financial statements. Table 4 shows fiscal year 2007 balances compared to 2006.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	2007	2006
Land	\$ 224,937	\$ 224,937
Construction in Progress	-	18,996,138
Land Improvements	232,549	141,852
Buildings and Improvements	24,347,222	4,837,769
Furniture and Equipment	2,393,234	1,643,352
Vehicles	385,222	270,601
Library and Textbooks	502,791	484,086
Totals	<u>\$ 28,085,955</u>	<u>\$ 26,598,735</u>

Changes in capital assets from the prior year resulted from additions for the classroom facilities project, other additions, disposals, and current year depreciation.

Debt

At June 30, 2007, the School District had general obligation bonds outstanding of \$4,521,630 and certificates of participation outstanding of \$680,000. For additional information on debt, see Note 12 to the basic financial statements.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Eric Toole, Treasurer at Georgetown Exempted Village School District, 1043 Mt. Orab Pike, Georgetown, Ohio 45121.

Georgetown Exempted Village School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$2,222,745
Intergovernmental Receivable	49,025
Property Taxes Receivable	3,014,194
Restricted Assets:	
Cash and Cash Equivalents	71,585
Nondepreciable Capital Assets	224,937
Depreciable Capital Assets, Net	<u>27,861,018</u>
<i>Total Assets</i>	<u>33,443,504</u>
Liabilities	
Accounts Payable	33,030
Accrued Wages and Benefits Payable	646,848
Intergovernmental Payable	207,876
Retainage Payable	71,585
Deferred Revenue	1,841,051
Early Retirement Incentive Payable	10,000
Long-Term Liabilities:	
Due Within One Year	192,835
Due In More Than One Year	<u>5,573,232</u>
<i>Total Liabilities</i>	<u>8,576,457</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	22,861,885
Restricted for:	
Capital Outlay	539,950
Debt Service	377,851
Other Purposes	698,236
Unrestricted	<u>389,125</u>
<i>Total Net Assets</i>	<u><u>\$24,867,047</u></u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District

Statement of Activities

For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$5,065,862	\$178,562	\$105,929	(\$4,781,371)
Special	1,136,408	40,241	562,906	(533,261)
Vocational	148,857	6,833	8,546	(133,478)
Support Services:				
Pupil	195,213	10,630	1,221	(183,362)
Instructional Staff	342,357	13,667	53,715	(274,975)
Board of Education	349,813	19,741	2,442	(327,630)
Administration	666,570	31,130	0	(635,440)
Fiscal	294,708	13,287	2,771	(278,650)
Operation and Maintenance of Plant	817,788	37,584	64,702	(715,502)
Pupil Transportation	405,899	23,917	166,493	(215,489)
Central	9,662	0	12,208	2,546
Operation of Non-Instructional Services	331,781	191,365	418,730	278,314
Extracurricular Activities	121,360	88,583	200,209	167,432
Debt Service:				
Interest and Fiscal Charges	263,445	380	39,229	(223,836)
Totals	\$10,149,723	\$655,920	\$1,639,101	(7,854,702)
General Revenues				
Property Taxes Levied for:				
General Purposes				2,335,333
Classroom Facilities				60,118
Debt Service				439,290
Permanent Improvements				126,247
Grants and Entitlements not Restricted to Specific Programs				4,964,993
Gifts and Donations not Restricted to Specific Programs				5,084
Investment Earnings				199,951
Miscellaneous				303,595
Total General Revenues				8,434,611
<i>Change in Net Assets Before Special Items</i>				579,909
<i>Special Item</i>				
Loss on Disposal of Capital Assets				(1,581,725)
<i>Change in Net Assets</i>				(1,001,816)
<i>Net Assets Beginning of Year - As Restated, See Note 21</i>				25,868,863
<i>Net Assets End of Year</i>				\$24,867,047

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District

*Balance Sheet
Governmental Funds
June 30, 2007*

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$743,026	\$218,065	\$280,305	\$981,349	\$2,222,745
Receivables:					
Property Taxes	2,424,473	376,848	0	212,873	3,014,194
Interfund	30,968	0	0	0	30,968
Intergovernmental	0	0	10,742	38,283	49,025
Restricted Assets:					
Cash and Cash Equivalents	0	0	71,585	0	71,585
<i>Total Assets</i>	<u>\$3,198,467</u>	<u>\$594,913</u>	<u>\$362,632</u>	<u>\$1,232,505</u>	<u>\$5,388,517</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$30,045	\$0	\$0	\$2,985	\$33,030
Accrued Wages and Benefits Payable	590,889	0	0	55,959	646,848
Retainage Payable	0	0	71,585	0	71,585
Interfund Payable	0	0	0	30,968	30,968
Intergovernmental Payable	184,446	0	0	23,430	207,876
Deferred Revenue	2,003,670	305,312	5,371	177,398	2,491,751
Early Retirement Incentive Payable	10,000	0	0	0	10,000
<i>Total Liabilities</i>	<u>2,819,050</u>	<u>305,312</u>	<u>76,956</u>	<u>290,740</u>	<u>3,492,058</u>
Fund Balances					
Reserved for Encumbrances	34,068	0	146,702	16,906	197,676
Reserved for Property Taxes	420,803	71,536	0	35,475	527,814
Unreserved, Undesignated, Reported in:					
General Fund	(75,454)	0	0	0	(75,454)
Special Revenue Funds	0	0	0	701,853	701,853
Debt Service Funds	0	218,065	0	0	218,065
Capital Projects Funds	0	0	138,974	187,531	326,505
<i>Total Fund Balances</i>	<u>379,417</u>	<u>289,601</u>	<u>285,676</u>	<u>941,765</u>	<u>1,896,459</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,198,467</u>	<u>\$594,913</u>	<u>\$362,632</u>	<u>\$1,232,505</u>	<u>\$5,388,517</u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007*

Total Governmental Fund Balances		\$ 1,896,459
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		28,085,955
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	645,329	
Intergovernmental	<u>5,371</u>	
Total		650,700
Long-Term Liabilities, including bonds, capital lease obligations, certificates of participation, and the long-term portion of compensated absences are not due and payable in the current period and therefore are not reported in the funds.		
Compensated Absences	(541,997)	
Classroom Facilities Bonds	(4,521,630)	
Capital Lease Obligations	(22,440)	
Certificates of Participation	<u>(680,000)</u>	
Total		<u>(5,766,067)</u>
Net Assets of Governmental Activities		<u>\$ 24,867,047</u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$1,978,260	\$369,189	\$0	\$142,357	\$2,489,806
Intergovernmental	5,335,860	40,779	309,897	825,277	6,511,813
Investment Earnings	88,714	0	111,237	0	199,951
Charges for Services	0	0	0	191,368	191,368
Tuition and Fees	379,634	0	0	134	379,768
Extracurricular Activities	0	0	0	84,787	84,787
Gifts and Donations	5,084	0	0	404,875	409,959
Miscellaneous	301,419	0	0	2,176	303,595
<i>Total Revenues</i>	<u>8,088,971</u>	<u>409,968</u>	<u>421,134</u>	<u>1,650,974</u>	<u>10,571,047</u>
Expenditures					
Current:					
Instruction:					
Regular	3,781,885	0	0	92,538	3,874,423
Special	850,871	0	0	278,108	1,128,979
Vocational	141,274	0	0	7,191	148,465
Support Services:					
Pupil	227,099	0	0	1,390	228,489
Instructional Staff	313,206	0	0	41,939	355,145
Board of Education	418,097	0	0	2,178	420,275
Administration	673,849	0	0	0	673,849
Fiscal	296,488	10,231	0	2,656	309,375
Operation and Maintenance of Plant	793,513	0	0	51,607	845,120
Pupil Transportation	505,995	0	0	59,256	565,251
Central	0	0	0	9,662	9,662
Operation of Non-Instructional Services	0	0	0	326,051	326,051
Extracurricular Activities	77,291	0	0	158,170	235,461
Capital Outlay	0	0	3,353,359	510,129	3,863,488
Debt Service:					
Principal	42,076	200,000	0	0	242,076
Interest and Fiscal Charges	4,114	259,331	0	0	263,445
<i>Total Expenditures</i>	<u>8,125,758</u>	<u>469,562</u>	<u>3,353,359</u>	<u>1,540,875</u>	<u>13,489,554</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(36,787)</u>	<u>(59,594)</u>	<u>(2,932,225)</u>	<u>110,099</u>	<u>(2,918,507)</u>
Other Financing Sources					
Proceeds from Certificate of Participation	0	0	0	435,000	435,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>435,000</u>	<u>435,000</u>
<i>Net Change in Fund Balances</i>	<u>(36,787)</u>	<u>(59,594)</u>	<u>(2,932,225)</u>	<u>545,099</u>	<u>(2,483,507)</u>
<i>Fund Balances Beginning of Year</i>	<u>416,204</u>	<u>349,195</u>	<u>3,217,901</u>	<u>396,666</u>	<u>4,379,966</u>
<i>Fund Balances End of Year</i>	<u>\$379,417</u>	<u>\$289,601</u>	<u>\$285,676</u>	<u>\$941,765</u>	<u>\$1,896,459</u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$ (2,483,507)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	3,876,219	
Current Year Depreciation	(807,274)	
Total	3,068,945	3,068,945

Governmental funds only report 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. This is the amount of the loss on the disposal of capital assets.

Loss on Disposal of Capital Assets		(1,581,725)
------------------------------------	--	-------------

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

Taxes	471,182	
Intergovernmental	(312,597)	
Total	158,585	158,585

Proceeds from the sale of the certificate of participation in the statement of revenues, expenditures and changes in fund balances that are reported as other financing sources are not reported as revenues in the statement of activities. (435,000)

Repayment of debt principal are expenditures in the governmental funds, but the repayment reduces liabilities in the statement of net assets and does not result in an expense in the statement of activities.

Bond, Note and Certificate of Participation Principal Payments	212,000	
Capital Lease Principal Payments	30,076	
Total	242,076	242,076

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Decrease in Compensated Absences	28,810	
----------------------------------	--------	--

Total		28,810
-------	--	--------

Net Change in Net Assets of Governmental Activities \$ (1,001,816)

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
(Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Total Revenues and Other Sources	\$8,075,248	\$7,940,069	\$7,956,831	\$16,762
Total Expenditures and Other Uses	<u>7,589,294</u>	<u>8,164,222</u>	<u>8,154,232</u>	<u>9,990</u>
Net Change in Fund Balance	485,954	(224,153)	(197,401)	26,752
Fund Balance, July 1	799,982	799,982	799,982	0
Prior Year Encumbrances Appropriated	<u>79,275</u>	<u>79,275</u>	<u>79,275</u>	<u>0</u>
Fund Balance, June 30	<u><u>\$1,365,211</u></u>	<u><u>\$655,104</u></u>	<u><u>\$681,856</u></u>	<u><u>\$26,752</u></u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Private Purpose Trust Fund	Agency Fund
ASSETS:		
Equity in Pooled Cash and Cash Equivalents	<u>\$ 136,259</u>	<u>\$ 57,248</u>
LIABILITIES:		
Undistributed Monies	<u>\$ -</u>	<u>\$ 57,248</u>
NET ASSETS:		
Held in Trust for Scholarships	<u>\$ 136,259</u>	

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust Fund</u>
ADDITIONS:	
Gifts and Contributions	\$ 18,433
Interest	<u>2,085</u>
Total Additions	20,518
DEDUCTIONS:	
Payments in Accordance with Trust Agreements	<u>25,738</u>
Change in Net Assets	(5,220)
Net Assets Beginning of Year	<u>141,479</u>
Net Assets End of Year	<u><u>\$ 136,259</u></u>

See accompanying notes to the basic financial statements.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Georgetown Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and/or federal guidelines.

The School District was established in 1968 through the consolidation of existing land areas and school districts. The School District serves an area of 60 square miles. It is located in Brown County and includes all of the Village of Georgetown, Ohio, and portions of surrounding townships. The Board of Education controls the School District's two instructional support facilities staffed by 44 non-certificated and 74 teaching personnel and administrative employees providing education to 1,112 students.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the Georgetown Exempted Village School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

Entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District. These entities include the Boosters Club, Parent Teacher Organizations, and Alumni Associations.

The School District is associated with three organizations, one as a jointly governed organization, one as an insurance purchasing pool, and one as a public entity shared risk and insurance purchasing pool. These organizations are the South Central Ohio Computer Association, the Ohio School Boards Association Workers' Compensation Group Rating Plan and the Brown County Schools Benefits Consortium. These organizations are presented in Notes 13, 14 and 15 to the basic financial statements.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Georgetown Exempted Village School 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 more significant of the School District's accounting policies are described below.

A. Basis Of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department, and 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 School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-Major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses 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 School District's major governmental funds:

General Fund The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Bond Retirement Fund The Bond Retirement fund is a fund provided for the retirement of general obligation bonds and short term notes. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, shall be paid into this fund.

Classroom Facilities Fund The Classroom Facilities Fund is a fund provided to account for monies received and expended in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

The other governmental funds of the School District account for grants and contributions, capital projects and other resources whose use is restricted to a particular purpose.

Fiduciary Fund Type Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's only fiduciary funds are agency funds which account for student managed activities and private purpose trust funds which are used to account for the financial activity of the School District's Scholarship Funds.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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.

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. The Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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 School District, available means expected to be received within sixty days of fiscal year end.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes and grants, entitlements, and donations. On the 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 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 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, except for (1) principal and interest on general long-term debt, which is recorded when due, and (2) the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities upon the occurrence of employee resignations and retirements. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than the agency fund, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution, and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer maintains budgetary information at the fund and object level and has the authority to allocate appropriations at the function and object level without resolution by the Board.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statement are based on estimates made when the first permanent appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect when final appropriations for the fiscal year were passed.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2007, the School District's investments were limited to repurchase agreements and funds invested in the State Treasury Assets Reserve of Ohio (STAR Ohio). STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General fund during fiscal year 2007 amounted to \$88,714. The Classroom Facilities major fund received interest in the amount of \$111,237.

For purposes of presentation on the financial statements, investments of the cash management pool are considered to be cash equivalents.

G. Capital Assets and Depreciation

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. 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.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. 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.

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:

Description	Estimated Lives
Land Improvements	5-15 years
Buildings and Improvements	10-35 years
Furniture and Equipment	5 – 20 years
Vehicles	3-25 years
Library and Textbooks	3-10 years

H. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. Interfund transfers are eliminated in the government-wide financial statements. The School District had no interfund transfers in fiscal year 2007.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Vacation leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employee will be paid. The School District had no matured compensated absences payable as of June 30, 2007.

J. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities 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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds are recognized as a liability on the governmental fund financial statements when due.

K. Fund Balance Reserves

The School District records reservations for portions of fund balance which are legally segregated for 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 balance which is available for appropriation in future periods. Fund balance reserves are established for encumbrances and property taxes. The reserve for property taxes represents taxes recognized as revenue under accounting principles generally accepted in the United States of America but not available for appropriations under State statute.

L. Estimates

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

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include activities for food service operations and federal and state grants restricted to expenditures for specified purposes.

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

The government-wide statement of net assets reports \$1,616,037 of restricted net assets, none of which are restricted by enabling legislation.

N. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments or imposed by enabling legislation. Restricted assets in the Classroom Facilities fund represent cash held as retainage for contractors.

O. 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 Activities column of the Statement of Net Assets.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. The School District had no extraordinary items during fiscal year 2007. 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. The School District constructed an elementary school through the Ohio School Facilities Assistance Program and subsequently disposed of its old elementary building. The difference between the historical cost and accumulated depreciation at the time of disposal was \$1,581,725 and was recorded as a special item on the government-wide statement of activities.

NOTE 3 – ACCOUNTABILITY

Fund balances at June 30, 2007, included the following individual fund deficits:

Special Revenue Funds

Food Service	\$24,327
Summer School Subsidy	15

The deficits in all of the above listed funds do not exist on the cash basis and are the result of applying accounting principles generally accepted in the United States of America and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficits in these funds and provides operating transfers when cash is required, not when accruals occur.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

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

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund.

Net Change in Fund Balance	
	General
GAAP Basis	\$(36,787)
Adjustments:	
Revenue Accruals	(132,140)
Expenditure Accruals	32,697
Encumbrances	(61,171)
Budget Basis	\$(197,401)

NOTE 5 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School District into three categories.

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

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

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by the federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, its political subdivisions, or other units or agencies of this State or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2), or cash, or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the District's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the District's total average portfolio.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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 the purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee, or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

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

The District’s bank balance of \$226,826 is either covered by FDIC or collateralized by the financial institution’s public entity deposit pool in the manner as described above.

Investments

As of June 30, 2007, the School District had the following investments and maturities:

	Carrying/Fair Value	Maturities 6 months or less
STAR Ohio	\$ 312,205	\$ 312,205
Repurchase Agreement	1,996,472	1,996,472
Total Investments	\$ 2,308,677	\$ 2,308,677

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits its investments to Repurchase Agreements and STAR Ohio. Investments in STAR Ohio were rated AAAM by Standard & Poor’s.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District’s investment policy allows investments as authorized in the Ohio Revised Code. The District has invested 87% of its investments in repurchase agreements and 13% in STAR Ohio.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Custodial credit risk is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The investments in STAR Ohio are either insured and registered in the name of the District or at least registered in the name of the District. The investments in repurchase agreements are subject to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar year 2007 for real and public utility property taxes represents collections of calendar year 2006 taxes. Property tax payments received during calendar year 2007 for tangible personal property (other than public utility property) is for calendar year 2007 taxes.

2007 real property taxes are levied after April 1, 2006, on the assessed value as of January 1, 2006, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2007 real property taxes are collected in and intended to finance fiscal year 2008. Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2007 public utility property taxes became a lien December 31, 2006, are levied after April 1, 2007 and are collected in 2008 with real property taxes.

2007 tangible personal property taxes are levied after April 1, 2007, on the value as of December 31, 2006. Collections are made in 2008. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, 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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 6 - PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other	\$97,471,440	93.45%	\$97,471,440	91.96%
Public Utility	2,984,770	2.87%	4,682,656	4.42%
Tangible Personal Property	3,839,680	3.68%	3,839,680	3.62%
Total Assessed Value	<u>\$104,295,890</u>	<u>100.00%</u>	<u>\$105,993,776</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.40		\$30.40	

Manufactured Home Tax, commonly referred to as House Trailer Tax, is based on the purchase price obtained from the title: (1) ninety-five percent unfurnished or (2) eighty percent furnished with a five percent drop each year.

The School District receives property taxes from Brown County. The county auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2007. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable in the fund statements is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2007 was \$420,803 in the General Fund, \$71,536 in the Bond Retirement Fund, and \$35,475 in the other governmental funds.

NOTE 7 - RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year 2007, the School District contracted with Selective Insurance Company for property insurance. There is a \$1,000 deductible with a one hundred percent blanket, all risk policy. Selective Insurance Company covers the boiler and machinery with a \$2,500 deductible and a \$25,733,107 limit.

Professional liability is protected by The Selective Insurance Company with a \$2,000,000 single occurrence limit and a \$5,000,000 aggregate and no deductible. Vehicles are covered by the Indiana Insurance Company and hold a \$250 deductible for comprehensive and a \$500 deductible for collision. Automobile liability has a \$1,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the last fiscal year.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 7 - RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 14). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP.

The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate.

Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The School District participates in the Brown County Schools Benefits Consortium (the Consortium), a public entity shared risk and insurance purchasing pool (Note 15) consisting of seven districts. The School District is responsible for providing a current listing of enrolled employees and for providing timely pro-rata payments of premiums to the Consortium for employee health coverage and benefits. The Consortium is responsible for the management and operations of the program. Upon termination from the Consortium, for any reason, the terminated member shall assume and be responsible for the payment of any delinquent contributions and all claims of its employees from the date of termination regardless of the date such claims were incurred.

NOTE 8 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined 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 per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614)222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contributions is used to fund pension obligations, with the remainder being used to fund healthcare benefits; for fiscal year 2007, 10.68% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$150,020, \$126,628, and \$159,902, respectively; 63 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$56,020 represents the unpaid contribution for fiscal year 2007.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The School 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available 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 Benefits (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.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of 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 percent of their annual covered salary and the School District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$499,220, \$495,365, and \$474,082, respectively; 85 percent has been contributed for fiscal year 2007 and 100 percent for the fiscal years 2006 and 2005. \$74,140 represents the unpaid contribution for fiscal year 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The 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 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 percent of covered payroll. For the fiscal year 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$38,278 during fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2007, the balance in the Fund was \$4.1 billion. For the year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivorship benefit recipients.

Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care benefits, including the surcharge, equaled \$58,871 during the 2007 fiscal year.

The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year-ended June 30, 2006 (the latest information available), were \$158,751,207 and the target level was \$295.6 million. SERS has approximately 59,492 participants eligible to receive health care benefits.

NOTE 10 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 210 days for certified and 183 days for non-certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 45 days for classified and certified employees.

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 - EMPLOYEE BENEFITS (Continued)

B. Insurance Benefits

The School District provides life insurance and accidental death and dismemberment insurance to most employees through Jefferson Pilot. The School District has elected to provide employee medical/surgical benefits through the Brown County Schools Benefits Consortium in which health insurance premiums were paid to Medical Mutual. Dental insurance is provided by the School District to all employees through CoreSource.

C. Deferred Compensation

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

D. Early Retirement Incentive

The School District has an Early Retirement Incentive program. Participation is open to any employees who are within the retirement range established by SERS or STRS. The School District will buy years of service credit for these employees if the incentive is taken when the employee becomes eligible under the program. The liability at June 30, 2007, has been recorded in the financial statements.

NOTE 11 - CAPITAL ASSETS

A summary of the District's capital assets at June 30, 2007, follows:

	Balance 6/30/2006	Additions	Deductions	Balance 6/30/2007
Capital Assets:				
Capital Assets not being depreciated:				
Land	\$224,937	\$0	\$0	\$224,937
Construction in Progress	18,996,138	0	(18,996,138)	0
Total Capital Assets not being Depreciated	<u>19,221,075</u>	<u>0</u>	<u>(18,996,138)</u>	<u>224,937</u>
Depreciable Capital Assets:				
Land Improvements	646,248	120,106	(85,656)	680,698
Buildings and Improvements	9,357,337	21,424,714	(2,495,643)	28,286,408
Furniture and Equipment	2,987,692	1,112,404	(588,433)	3,511,663
Library and Textbooks	858,442	48,294	(3,779)	902,957
Vehicles	602,817	166,839	(94,763)	674,893
Total Capital Assets being Depreciated	<u>14,452,536</u>	<u>22,872,357</u>	<u>(3,268,274)</u>	<u>34,056,619</u>
Less Accumulated Depreciation				
Land Improvements	(504,396)	(6,005)	62,252	(448,149)
Buildings and Improvements	(4,519,568)	(653,549)	1,233,931	(3,939,186)
Furniture and Equipment	(1,344,340)	(114,463)	340,374	(1,118,429)
Library and Textbooks	(374,356)	(25,810)	0	(400,166)
Vehicles	(332,216)	(7,447)	49,992	(289,671)
Total Accumulated Depreciation	<u>(7,074,876)</u>	<u>(807,274)**</u>	<u>1,686,549</u>	<u>(6,195,601)</u>
Total Capital Assets being Depreciated, Net	<u>7,377,660</u>	<u>22,065,083</u>	<u>(1,581,725)</u>	<u>27,861,018</u>
Capital Assets, Net	<u>\$26,598,735</u>	<u>\$22,065,083</u>	<u>(\$20,577,863)</u>	<u>\$28,085,955</u>

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 - CAPITAL ASSETS (Continued)

** Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$767,221
Support Services:	
Pupil	2,128
Instructional Staff	10,515
Board of Education	3,382
Administration	5,468
Fiscal	192
Operation and Maintenance of Plant	1,781
Pupil Transportation	7,982
Extracurricular Activities	6,005
Operation of Non-Instructional Services	<u>2,600</u>
Total Depreciation Expense	<u>\$807,274</u>

NOTE 12 – DEBT OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	Principal Outstanding 06/30/06	Additions	Deductions	Principal Outstanding 06/30/07	Due in One Year
School Improvement Bond Anticipation Note - 5.25%	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
Certificate of Participation - 2007 4.92%	-	435,000	12,000	423,000	14,000
Classroom Facilities Bonds - 2004 5.13%	4,646,630	-	125,000	4,521,630	125,000
Certificate of Participation - 2006 4.92%	257,000	-	-	257,000	-
Capital Leases	52,516	-	30,076	22,440	22,440
Compensated Absences	<u>570,807</u>	<u>541,997</u>	<u>570,807</u>	<u>541,997</u>	<u>31,395</u>
Total Long-Term Obligations	<u>\$ 5,601,953</u>	<u>\$ 976,997</u>	<u>\$ 812,883</u>	<u>\$ 5,766,067</u>	<u>\$ 192,835</u>

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 12 – DEBT OBLIGATIONS (Continued)

Bond Anticipation Note

During fiscal year 2006, the School District issued a one-year \$75,000 bond anticipation note for the purpose of implementing school improvements at various School District buildings. This note will be repaid with tax revenue from the Debt Service Fund. This note is backed by the full faith and credit of the School District.

Certificates of Participation

On August 16, 2006, the School District entered into a Certificate of Participation Obligation for the purpose of financing the acquisition and construction of school improvements including a new elementary school. The School District is leasing the project from the Columbus Regional Port Authority. The Authority will retain title to the project during the certificate term. The certificate will be mature in July of 2026.

During fiscal year 2006, the School District entered into a Certificate of Participation Obligation for the purpose of financing the acquisition and construction of school improvements including roof improvements. The School District is leasing the project from the Columbus Regional Port Authority. The Authority will retain title to the project during the certificate term. The certificate will be mature in January of 2035.

Classroom Facilities Bond

On May 26, 2004, the Georgetown Exempted Village School District issued \$4,887,998 in unvoted general obligation bonds for the purpose of constructing a new elementary school to house grades PK through 6, renovations and additions to Georgetown Jr/Sr High School that houses grades 7 through 12 and to abandon Alverda Reed Elementary School. The bonds were issued for a 27 year period with a final maturity date of December 1, 2031. The bond will be repaid from the Bond Retirement Fund.

All general obligation debt is supported by the full faith and credit of the School District. Certificates of participation will be paid from the General Fund. Compensated absences will be paid from the fund from which the employees' salaries are paid, with the most significant being the General Fund. Capital lease obligations will be paid from the General Fund.

The School District's voted legal debt margin was \$4,865,000 with an unvoted debt margin of \$104,296 at June 30, 2007.

Principal and interest requirements to retire general obligation debt at June 30, 2007 are as follows:

Fiscal Year Ending	Total General Obligation Debt			Certificates of Participation		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$125,000	\$203,819	\$328,819	\$14,000	\$34,350	\$48,350
2009	125,000	200,069	325,069	22,000	33,644	55,644
2010	125,000	195,694	320,694	22,000	32,534	54,534
2011	125,000	191,006	316,006	23,000	31,422	54,422
2012	150,000	186,319	336,319	24,000	30,262	54,262
2013-2017	466,630	1,187,146	1,653,776	132,000	132,512	264,512
2018-2022	925,000	757,282	1,682,282	165,000	95,976	260,976
2023-2027	1,090,000	525,589	1,615,589	173,000	50,304	223,304
2028-2032	1,390,000	221,145	1,611,145	61,000	20,688	81,688
2033-2035	0	0	0	44,000	2,818	46,818
	<u>\$4,521,630</u>	<u>\$3,668,069</u>	<u>\$8,189,699</u>	<u>\$680,000</u>	<u>\$464,510</u>	<u>\$1,144,510</u>

Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 - JOINTLY GOVERNED ORGANIZATION

The School District is a participant in the South Central Ohio Computer Association (SCOCA), which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Pike, Ross, Scioto, Vinton and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each of the eight participating counties, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$43,942 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School, P.O. Box 577, 175 Beaver Creek Rd., Piketon, Ohio, 45661.

NOTE 14 - INSURANCE PURCHASING POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA.

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

NOTE 15 - PUBLIC ENTITY SHARED RISK POOL

Brown County Schools Benefits Consortium - The Brown County Schools Benefits Consortium, a public entity shared risk and insurance purchasing pool, currently operates to provide health insurance (insurance purchasing pool) and dental coverage (public entity shared risk pool) to enrolled employees of the consortium members and to eligible dependents of those enrolled employees.

Six Brown County school districts (Eastern Brown, Fayetteville-Perry, Georgetown, Ripley-Union-Lewis-Huntington, Southern Hills Joint Vocational and Western Brown Schools) have entered into an agreement with the Brown County Educational Service Center to form the Brown County Schools Benefits Consortium. The overall objectives of the consortium are to formulate and administer a program of health and dental insurance for the benefit of the consortium members' employees and their dependents. The consortium contracts with Medical Mutual of Ohio to provide medical insurance directly to consortium member employees. The School District pays premiums to the consortium based on employee membership. For dental coverage, the consortium acts as a public entity shared risk pool. Each member district pays dental premiums based on the consortium estimates of future claims. If the member district's dental claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. Dental coverage is administered through a third party administrator, CoreSource. Participating member districts pay an administrative fee to the fiscal agent to cover the costs associated with the administering of the Consortium. To obtain financial information write to Brown County Educational Service Center at 325 West State St., Georgetown, Ohio 45121.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 16 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2006	\$0	\$0
Current year set-aside requirement	156,609	156,609
Prior Year Carryover	(39,123)	(51,161)
Current Year Offsets	0	(144,468)
Qualifying disbursements	(134,284)	(91,455)
Set-aside Balance Carried Forward to Future Years where allowable	(\$16,798)	(\$130,475)
Set-aside Reserve Balance as of June 30, 2007	\$0	\$0

The School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero in the Textbooks and Capital Acquisition Reserves. These extra amounts may be carried forward to reduce the set-aside requirements of future years.

NOTE 17 - CONTINGENCIES

Grants:

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

Litigation:

There are currently no matters in litigation with the School District as a defendant.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 18 - RECEIVABLES

Receivables at June 30, 2007 consisted of taxes, accounts, 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 items of intergovernmental receivables follows:

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
<i>Major Capital Projects Fund</i>	
Classroom Facilities	\$10,742
<i>Non-Major Special Revenue Fund:</i>	
Food Service	<u>38,283</u>
Total	<u>\$49,025</u>

NOTE 19 – INTERFUND ACTIVITY

Interfund balances at June 30, 2007, consist of the following individual fund receivables and payables, which are expected to be repaid during the 2008 fiscal year:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
<i>Major Fund</i>		
General Fund	\$ 30,968	\$ -
<i>Non-Major Special Revenue Funds</i>		
Food Service Fund	-	23,025
Miscellaneous State Grant Fund	-	<u>7,943</u>
Total Non-Major Special Revenue Funds	<u>-</u>	<u>30,968</u>
Total Interfund Receivables/Payables	<u>\$ 30,968</u>	<u>\$ 30,968</u>

Advances were made from the general fund to nonmajor special revenue funds in anticipation of grant monies and student food service charges not received during the current fiscal year.

NOTE 20 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a previous fiscal year, the School District entered into a capital lease for a copier. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, *Accounting for Leases*, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds.

Capital assets consisting of equipment have been capitalized in the statement of net assets in the amount of \$134,100. This amount represents the present value of the minimum lease payments at the time of acquisition. Principal payments in fiscal year 2007 totaled \$30,076 in the governmental funds.

**Georgetown Exempted Village School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007**

NOTE 20 - CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>
2008	<u>\$22,794</u>
Total Minimum Lease Payments	22,794
Less: Amount Representing Interest	<u>(354)</u>
Present Value of Minimum Lease Payments	<u>\$ 22,440</u>

NOTE 21 – RESTATEMENT OF NET ASSETS

A restatement to net assets was made in order to correct the beginning balance of intergovernmental receivables. This restatement had the follow effect on net assets:

	<u>Net Assets</u>
Net Assets – June 30, 2006	\$27,037,527
Intergovernmental Receivables	<u>(1,168,664)</u>
Restated, Net Assets – June 30, 2006	<u>\$25,868,863</u>

Georgetown Exempted Village School District
Brown County

Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2007

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	NA	10.550	\$ -	\$ 21,428	\$ -	\$ 21,428
Nutrition Cluster						
School Breakfast Program	05PU	10.553	14,728	-	14,728	-
National School Lunch Program	LLP4	10.555	124,323	-	124,323	-
Special Milk Program for Children	O2PU	10.556	1,501	-	1,501	-
Total Nutrition Cluster			<u>140,552</u>	<u>-</u>	<u>140,552</u>	<u>-</u>
Total United States Department of Agriculture			140,552	21,428	140,552	21,428
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	C1S1	84.010	226,852	-	174,319	-
Special Education Grants to States	6BSF	84.027	238,374	-	97,349	-
Safe and Drug Free Schools and Communities - State Grants	DRS1	84.186	5,412	-	9,264	-
State Grants for Innovative Programs	C2S1	84.298	1,436	-	2,178	-
Education Technology State Grants	TJS1	84.318	2,360	-	4,228	-
Improving Teacher Quality State Grants	TRS1	84.367	50,486	-	68,747	-
Total United States Department of Education			<u>524,920</u>	<u>-</u>	<u>356,085</u>	<u>-</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
<i>Passed through Ohio Department of Education</i>						
Learn and Serve America School and Community Based Programs	SVS1	94.004	17,700	-	13,018	-
Total Corporation for National and Community Service			<u>17,700</u>	<u>-</u>	<u>13,018</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 683,172</u>	<u>\$ 21,428</u>	<u>\$ 509,655</u>	<u>\$ 21,428</u>

NA = Pass through entity number could not be located.

See Notes to the Schedule of Federal Awards Expenditures.

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION

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

NOTE C – SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAMS

Federal funds received from the School Breakfast and National School Lunch Programs were commingled with state subsidy and local revenue from the sale of meals. It is assumed that federal dollars are expended first.

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687
Piketon, Ohio 45661

Telephone (740) 289-4131
Fax (740) 289-3639
www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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*

Members of the Board
Georgetown Exempted Village School District
1043 Mt. Orab Pike
Georgetown, Ohio 45121

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Georgetown Exempted Village School District, Brown County, Ohio (the School District), as of and for the year ended June 30, 2007 and have issued our report thereon dated February 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. These items have been identified in the accompanying schedule of findings and questioned costs as items 2007-01 and 2007-02.

Internal Control over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of the section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2007-01 to be a material weakness.

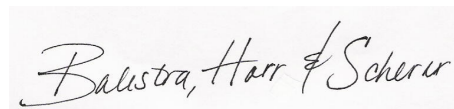
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of the School District in a separate letter dated February 15, 2008.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.
February 15, 2008

BALESTRA, HARR & SCHERER, CPAs, INC.

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

Telephone (740) 289-4131

Fax (740) 289-3639

www.bhscpas.com

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

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

Members of the Board

Georgetown Exempted Village School District

1043 Mt. Orab Pike

Georgetown, Ohio 45121

Compliance

We have audited the compliance of the Georgetown Exempted Village School District, (the School District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-04 and 2007-05.

Members of the Board

Georgetown Exempted Village School District

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

Page 2

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

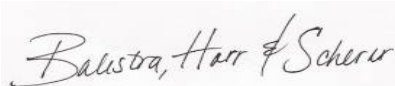
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the School District's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a material weakness.

The School District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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



Balestra, Harr & Scherer, CPAs, Inc.
February 15, 2008

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other significant internal control deficiencies reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under section .510?	Yes
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster: CFDA# 10.553, 10.555 and 10.556 Title I Grants to Local Educational Agencies: CFDA# 84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

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

Finding Number 2007-01

Material Weakness – Bank Reconciliations

Accurate and timely reconciliations between book and bank balances are a basic and important internal control. It reduces the risk that errors, theft or fraud may occur and not be detected in a timely manner. Reconciliations are also an effective tool to help management determine the completeness of recorded transactions and verify that all recorded transactions have been deposited with the financial institution.

Reconciliations were not completed for the audit period until June 2007. However, it was noted that reconciliations were prepared for all fiscal year 2007 months in June 2007, and that since June 2007, reconciliations have been performed monthly.

Accurate and timely reconciliations should be performed monthly by the School District’s Treasurer. Additionally, the monthly reconciliations should be provided to the Board for their review. This can help to hinder any misappropriations of funds and detect any errors which may have occurred on the books or by the bank. These errors can then be immediately identified and corrected.

Client Response

This was corrected in June, 2007.

Finding Number 2007-02

Significant Deficiency – Misstatements in the Financial Statements

The auditors identified misstatements that should have been prevented or detected by the School District’s internal controls over financing reporting. The following misstatements were identified:

- Inaccurate recognition of intergovernmental receivables and related revenues of prior years.

The accompanying financial statements were adjusted to reflect correction the misstatements in prior period balances. The District should implement application and monitoring controls over financial reporting to ensure that all financial statement transactions are accurately and completely reported.

Client Response

This issue has been corrected as of July 1, 2007. Internal controls over financial reporting have been implemented to prevent errors.

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2007-03
CFDA Title and Number	Title I – CFDA #84.010
Federal Award Number/Year	FY07
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Material Weakness – Posting Expenditures Directly to Grant Funds

During the testing of the Title I major federal program, it was noted that the School District does not properly account for federal grant expenditures. The School District has funds and special cost centers for each grant and award year and receipts all such monies in those funds. However, the majority of expenditures related to such federal grants are actually expended from the wrong special cost center, and, at year-end, reimbursed by that special cost center. As a consequence, project cash requests do not tie directly to the School District’s accounting records (reporting) and there is the appearance of an excess accumulation of funds (cash management).

The Treasurer was able to provide the auditors with supporting documentation for adjustments. Expenditures appear to be allowable and attributed to the fiscal year. No questioned costs resulted, but it is pertinent to ensure federal monies are accounted for appropriately in the future.

Failure to properly account for federal monies is improper, even if corrected by year-end. The School District does not have a clear idea of how much should be drawn down periodically and cannot possess the ability to make informed decisions with such misinformation.

The School District should implement procedures to ensure that expenditures of federal grant monies are properly accounted for within its accounting system as expenditures occur throughout the year..

Finding Number	2007-04
CFDA Title and Number	Title I – CFDA #84.010
Federal Award Number/Year	FY07
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Reporting

The Ohio Department of Education’s Consolidated Application Assurances item 5 provides that (Local Education Agency) LEAs will make reports to ODE as may be reasonably necessary to enable ODE to perform its duties.

Program funds are reported to the State of Ohio. One of the two forms the School District must file with ODE is the project cash request.

Because the Treasurer prepared adjustments at year end, the Project Cash Requests submitted throughout the fiscal year were not supported by the accounting records. Instead, they were made to reflect what the budgeted figures were.

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

Noncompliance Citation – Reporting (Continued)

However, the adjustments that were posted do appear to have been adequately supported to provide assurance that federal awards expenditures reported on the Final Expenditure Report were proper but posted to the incorrect fund. As noted in Finding 2007-03, teachers were paid from the general fund or the wrong special cost center during the fiscal year with an adjusting entry posted close to fiscal year end to reflect those expenditures as having been made from the appropriate federal funds.

Failure to properly account for federal monies is improper, even if corrected by year-end. The School District does not have a clear idea of how much should be drawn down periodically and cannot possess the ability to make informed decisions with such misinformation.

The School District should implement procedures to ensure that expenditures of federal grant monies are properly accounted for within its accounting system and that all project cash requests are appropriately supported by accurate accounting records.

Finding Number	2007-05
CFDA Title and Number	Title I – CFDA #84.010
Federal Award Number/Year	FY07
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Cash Management

34 C.F.R. Part 80.21 states, in part:

- (a) Scope. This section prescribes the basic standard and the methods under which a Federal agency will make payments to grantees, and grantees will make payments to subgrantees and contracts.
- (b) Basic standard. Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 C.F.R. Part 205.
- (c) Advances. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee.

The first payment is initiated by the Ohio Department of Education. Subsequent payments must be requested by the LEA as needed using the online Project Cash Request (PCR).

Except for the initial PCR, cash requests are limited to one month (up to 10% of the approved budget amount) plus any negative balances (amount by which program expenditures exceed project cash received to date). ODE requires written explanation for monthly cash advance requests which exceed the 10% limit. Additionally, written explanations are required for cash advance requests when the balance on hand exceeds 10% of the approved budget amount. (Authority: ODE online Project Cash Request form).

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505
(CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

Noncompliance Citation – Cash Management (Continued)

It was noted during review of the Title I federal grant that proper cash management was not being followed. The PCRs were not adequately supported with the School District's accounting records due to the Treasurer's posting of teachers' salaries and benefits to the wrong special cost center instead of the appropriate special cost centers throughout the fiscal year, with an adjusting entry posted by fiscal year-end to correct fund balances.

Supporting documentation was provided by the School District to demonstrate that adjusting entries were for appropriate federal expenditures. However, failure to properly account for federal monies is improper, even if corrected by year-end. The School District does not have a clear idea of how much should be drawn down periodically and cannot possess the ability to make informed decisions with such misinformation.

The School District should implement procedures to ensure that expenditures of federal grant monies are properly accounted for within its accounting system and that project cash requests are accurately completed and supported by the accounting records.

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY**

*CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 SECTION .315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007*

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person:
2007-03	This has been corrected in fiscal year 2008. All federal grant expenditures are being posted directly to the appropriate fund and special cost center.	7/1/07	Eric Toole, Treasurer
2007-04	This has been corrected in fiscal year 2008. Project cash requests are supported by the accounting records.	7/1/07	Eric Toole, Treasurer
2007-05	This has been corrected in fiscal year 2008. Project cash requests are being limited to funds needed within one month of the request date.	7/1/07	Eric Toole, Treasurer

**GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT
BROWN COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2006-001	Ohio Rev. Code Section 5705.39 total appropriations from each fund shall not exceed the total estimated resources.	Yes	
2006-002	Ohio Rev. Code Section 5705.41 (D) the use of "Then and Now" Certification	Yes	
2006-003	Ohio Rev. Code Section 117.38 requires that GAAP basis entities to file their annual reports with the Auditor of State within 150 days of the fiscal year end.	Yes	
2006-004	Reportable Condition – Accurate and timely reconciliations between book and bank balances are basic and important internal controls.	No	Not Corrected – Reissued as 2007-01
2006-005	Noncompliance Citation – Period of Availability of Federal Funds	Yes	
2006-006	Noncompliance Citation – Reporting	No	Not Corrected – Reissued as 2007-04 for Title I Grants to Local Educational Agencies (CFDA # 84.010). Not corrected for Special Education – Grants to States (CFDA # 84.027).
2006-007	Noncompliance Citation – Cash Management	No	Not Corrected – Reissued as 2007-05 for Title I Grants to Local Educational Agencies (CFDA # 84.010). Not corrected for Special Education – Grants to States (CFDA # 84.027).
2006-008	Material Weakness – Posting Expenditures Directly to Grant Funds	No	Not Corrected – Reissued as 2007-03 for Title I Grants to Local Educational Agencies (CFDA # 84.010). Not corrected for Special Education – Grants to States (CFDA # 84.027).



Mary Taylor, CPA
Auditor of State

GEORGETOWN EXEMPTED VILLAGE SCHOOL DISTRICT

BROWN 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
JUNE 3, 2008**