



Mary Taylor, CPA
Auditor of State

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Girard City School District
Trumbull County
704 E. Prospect Street
Girard, Ohio 44420

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Girard City School District, Trumbull County, Ohio (the Government), as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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 Girard City School District, Trumbull County, Ohio, as of June 30, 2006, and the respective changes in financial position, thereof and the respective budgetary comparisons for the General and Emergency Levy funds 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 September 26, 2007, on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Managements Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2007

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The management's discussion and analysis of the Girard City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2006 are as follows:

- In total, net assets of governmental activities increased \$1,830,006 which represents a 26.01% increase from 2005.
- General revenues accounted for \$13,457,464 in revenue or 76.26% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,190,120 or 23.74% of total revenues of \$17,647,584.
- The District had \$15,817,578 in expenses related to governmental activities; only \$4,190,120 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$13,457,464 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, emergency levy fund and classroom facilities fund. The general fund had \$13,694,422 in revenues and other financing sources and \$12,718,031 in expenditures and other financing uses. During fiscal 2006, the general fund's fund balance increased \$976,391 from a deficit of \$695,118 to a positive balance of \$281,273.
- The Emergency levy fund had \$550,230 in revenues and \$10,488 in expenditures. During fiscal 2006, the emergency levy fund's fund balance increased \$539,742 from \$532,805 to \$1,072,547.
- The Classroom facilities fund had \$22,050 in revenues. During fiscal 2006, the classroom facilities fund's fund balance increased \$22,050 from \$2,311,860 to \$2,333,910.

Using the Basic Financial Statements (BFS)

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

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

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's Statement of Net Assets and Statement of Activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-52 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole. The District's net assets have been restated as described in Note 3.B. of the notes to the basic financial statements.

The table below provides a summary of the District's net assets for 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Restated Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 12,631,750	\$ 10,543,827
Capital assets	<u>9,964,293</u>	<u>10,324,651</u>
Total assets	<u>22,596,043</u>	<u>20,868,478</u>
<u>Liabilities</u>		
Current liabilities	6,634,018	6,514,332
Long-term liabilities	<u>7,095,175</u>	<u>7,317,302</u>
Total liabilities	<u>13,729,193</u>	<u>13,831,634</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,439,406	4,115,823
Restricted	4,050,713	3,758,981
Unrestricted	<u>376,731</u>	<u>(837,960)</u>
Total net assets	<u>\$ 8,866,850</u>	<u>\$ 7,036,844</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$8,866,850. Of this total, \$4,050,713 is restricted in use.

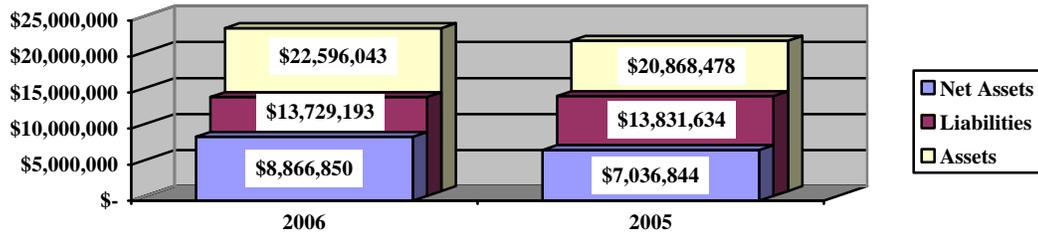
At year-end, capital assets represented 44.10% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2006, were \$4,439,406. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

A portion of the District's net assets, \$4,050,713, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is \$376,731.

Governmental Activities



The table below shows the change in net assets for fiscal years 2006 and 2005.

Change in Net Assets

	Governmental Activities 2006	Restated Governmental Activities 2005
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,790,636	\$ 1,678,442
Operating grants and contributions	2,380,156	2,352,079
Capital grants and contributions	19,328	15,845
General revenues:		
Property taxes	4,889,065	4,475,332
Grants and entitlements	8,215,053	8,014,753
Investment earnings	248,943	111,344
Other	104,403	11,442
Total revenues	17,647,584	16,659,237

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Change in Net Assets

	<u>Governmental Activities 2006</u>	<u>Restated Governmental Activities 2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 6,579,206	\$ 6,579,406
Special	1,411,793	1,248,447
Vocational	174,124	214,238
Other	2,058,355	2,012,545
Support services:		
Pupil	642,504	638,936
Instructional staff	197,889	209,797
Board of education	110,653	38,436
Administration	941,672	853,936
Fiscal	283,560	329,138
Operations and maintenance	1,244,806	1,115,695
Pupil transportation	467,041	443,367
Central	1,432	7,236
Food service operations	615,097	577,825
Operations of non-instructional services	257,374	223,415
Extracurricular activities	473,963	487,334
Interest and fiscal charges	<u>358,109</u>	<u>362,481</u>
Total expenses	<u>15,817,578</u>	<u>15,342,232</u>
Change in net assets	1,830,006	1,317,005
Net assets at beginning of year	<u>7,036,844</u>	<u>5,719,839</u>
Net assets at end of year	<u><u>\$ 8,866,850</u></u>	<u><u>\$ 7,036,844</u></u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,830,006. Total governmental expenses of \$15,817,578 were offset by program revenues of \$4,190,120 and general revenues of \$13,457,464. Program revenues supported 26.49% of the total governmental expenses.

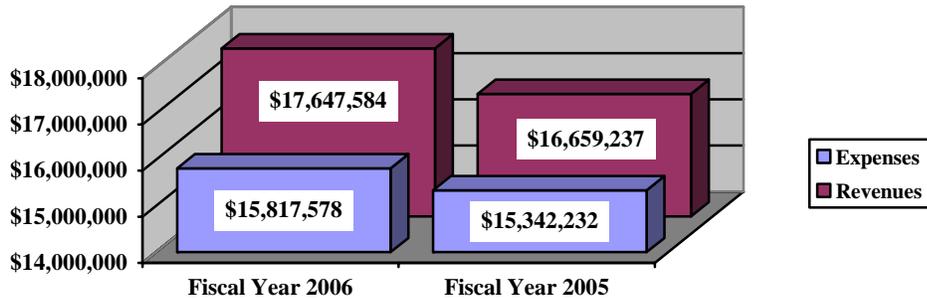
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 74.25% of total governmental revenue. Real estate property is reappraised every six years.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Restated Total Cost of Services 2005	Restated Net Cost of Services 2005
Program expenses				
Instruction:				
Regular	\$ 6,579,206	\$ 5,614,361	\$ 6,579,406	\$ 5,900,949
Special	1,411,793	706,937	1,248,447	687,763
Vocational	174,124	156,624	214,238	199,238
Other	2,058,355	970,543	2,012,545	892,201
Support services:				
Pupil	642,504	365,337	638,936	279,680
Instructional staff	197,889	141,655	209,797	143,757
Board of education	110,653	110,653	38,436	38,436
Administration	941,672	921,952	853,936	813,981
Fiscal	283,560	283,560	329,138	268,927
Operations and maintenance	1,244,806	1,223,568	1,115,695	1,067,487
Pupil transportation	467,041	412,800	443,367	386,912
Central	1,432	(648)	7,236	3,219
Food service operations	615,097	(9,189)	577,825	(49,539)
Operations of non-instructional services	257,374	13,922	223,415	(70,626)
Extracurricular activities	473,963	357,274	487,334	371,000
Interest and fiscal charges	358,109	358,109	362,481	362,481
Total expenses	<u>\$ 15,817,578</u>	<u>\$ 11,627,458</u>	<u>\$ 15,342,232</u>	<u>\$ 11,295,866</u>

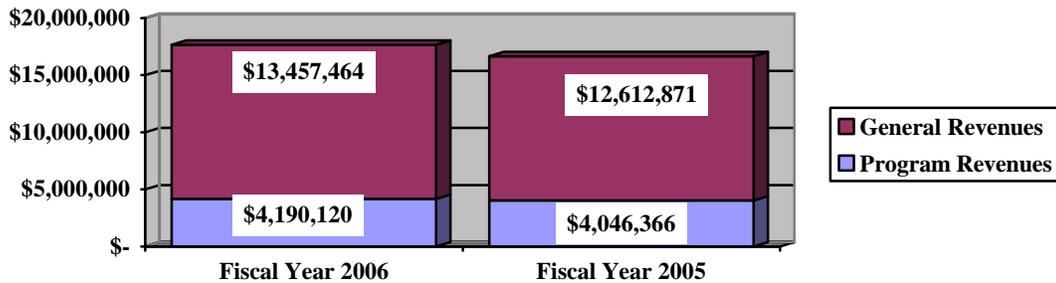
**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

The dependence upon tax and other general revenues for governmental activities is apparent, 72.86% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.51%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$4,919,937, which is greater than last year's total of \$3,368,340. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance June 30, 2006	Fund Balance (deficit) June 30, 2005	<u>Increase</u>
General	\$ 281,273	\$ (695,118)	\$ 976,391
Emergency Levy	1,072,547	532,805	539,742
Classroom Facilities	2,333,910	2,311,860	22,050
Other Governmental	<u>1,232,207</u>	<u>1,218,793</u>	<u>13,414</u>
Total	<u>\$ 4,919,937</u>	<u>\$ 3,368,340</u>	<u>\$ 1,551,597</u>

General Fund

The District's general fund's fund balance increased \$976,391. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 3,860,827	\$ 3,344,763	15.43 %
Tuition	261,704	148,401	76.35 %
Earnings on investments	238,490	105,558	125.93 %
Intergovernmental	8,092,092	7,957,718	1.69 %
Other revenues	<u>1,241,249</u>	<u>1,174,912</u>	5.65 %
Total	<u>\$ 13,694,362</u>	<u>\$ 12,731,352</u>	7.56 %
<u>Expenditures</u>			
Instruction	\$ 8,490,024	\$ 8,509,452	(0.23) %
Support services	3,547,690	3,127,645	13.43 %
Extracurricular activities	342,571	342,016	0.16 %
Facilities acquisition and construction	-	23,622	(100.00) %
Debt service	<u>282,090</u>	<u>342,766</u>	(17.70) %
Total	<u>\$ 12,662,375</u>	<u>\$ 12,345,501</u>	2.57 %

Emergency Levy Fund

The Emergency levy fund had \$550,230 in revenues and \$10,488 in expenditures. During fiscal 2006, the emergency levy fund's fund balance increased \$539,742 from \$532,805 to \$1,072,547.

Classroom Facilities Fund

The Classroom facilities fund had \$22,050 in revenues. During fiscal 2006, the classroom facilities fund's fund balance increased \$22,050 from \$2,311,860 to \$2,333,910.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2006, the District amended its general fund budget numerous times. For the general fund, final budgeted revenues and other financing sources were \$13,882,344, which is less than the original budgeted revenues and other financing sources estimate of \$17,024,500. Actual revenues and other financing sources for fiscal 2006 was \$13,993,240. This represents an \$110,896 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$10,945,393 were increased to \$12,934,212 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2006 totaled \$12,895,392. This represents a \$38,820 decrease under final budgeted appropriations.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2006, the District had \$9,964,293 invested in land, land improvements, buildings and improvements, furniture and equipment, and vehicles. This entire amount is reported in governmental activities. The 2005 capital assets have been restated as described in Note 8.A. The following table shows fiscal 2006 balances compared to 2005:

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

	Governmental Activities	
	2006	Restated 2005
Land	\$ 173,570	\$ 173,570
Land improvements	164,577	177,049
Building and improvements	9,329,078	9,702,317
Furniture and equipment	182,599	194,478
Vehicles	114,469	77,237
Total	\$ 9,964,293	\$ 10,324,651

The overall decrease in capital assets of \$360,358 is primarily due to depreciation expense of \$442,553 exceeding capital outlay of \$82,175 for fiscal 2006.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2006 the District had \$4,144,297 in general obligation bonds and general obligation notes outstanding. Of this total, \$214,531 is due within one year and \$3,929,766 is due within greater than one year. The following table summarizes the bonds and notes outstanding:

Outstanding Debt, at Year End

	Governmental Activities 2006	Governmental Activities 2005
General obligation bonds:		
G.O. bonds - Intermediate school	\$ 880,000	\$ 4,445,000
School Improvement Refunding Bonds	3,250,000	-
Energy Conservation Bonds	-	45,000
General obligation notes:		
EPA Asbestos Loan	14,297	23,828
Total	\$ 4,144,297	\$ 4,513,828

At June 30, 2006, the District's overall legal debt margin was \$10,397,446 with an unvoted debt margin of \$160,282.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(UNAUDITED)**

See Note 10 to the basic financial statements for additional information on the District's debt administration.

Current Related Financial Activities

The Girard City School District has maintained the highest standards of service to our students, parents and community. Our school system is constantly presented with challenges and opportunities. National, state and local events economically affect the District and the surrounding area. The District continues to review and analyze the impact key factors which figure in the District's financial condition.

The District has carefully manage its general fund budgets in order to optimize the dollars available for educating our students, and to minimize the millage amounts needed periodically from the overtaxed community.

The District's five-year projections indicate that the natural budget cycle needs will require management to continually look for ways to manage costs in a rising environment. With fiscal prudence the recent fiscal year budgets have been carefully managed in order to minimize the increased costs.

The District was on the OSFC building list for a new high school in fiscal year 2006. The District will continue to seek the community input on the best plan to undertake this project. The May 2007 ballot will likely see a new GHS building levy.

Unstable enrollments caused by alternative educational sources, which do not have the same requirements, deprive the District of needed funds. Open enrollment, community schools, ECOT, and other drains on the dollars available for school operations must be monitored by management and the District.

The District has committed itself to educational excellence for many years. The District is committed to living within its financial means, and working with the community it serves to obtain resources to support the best educational program possible now and into the future.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Mark Bello, Treasurer, Girard City School District, 704 E. Prospect Street, Girard, Ohio 44420.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,747,219
Receivables:	
Taxes	5,530,954
Accounts	13,417
Intergovernmental	246,411
Accrued interest	11
Prepayments.	18,208
Materials and supplies inventory	10,846
Unamortized bond issue costs.	64,684
Capital assets:	
Land	173,570
Depreciable capital assets, net	9,790,723
Total capital assets, net.	<u>9,964,293</u>
 Total assets.	 <u>22,596,043</u>
Liabilities:	
Accounts payable.	92,096
Accrued wages and benefits	1,119,860
Pension obligation payable.	274,952
Intergovernmental payable	119,706
Deferred revenue	4,975,677
Accrued interest payable	51,727
Long-term liabilities:	
Due within one year.	986,478
Due in more than one year	6,108,697
Total liabilities	<u>13,729,193</u>
Net Assets:	
Invested in capital assets, net	
of related debt.	4,439,406
Restricted for:	
Capital projects	2,659,282
Debt service.	131,657
Locally funded programs.	23,863
State funded programs.	100,070
Federally funded programs.	628,686
Student activities.	96,173
Other purposes	410,982
Unrestricted	<u>376,731</u>
 Total net assets	 <u>\$ 8,866,850</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 6,579,206	\$ 309,267	\$ 636,250	\$ 19,328	\$ (5,614,361)
Special	1,411,793	-	704,856	-	(706,937)
Vocational	174,124	-	17,500	-	(156,624)
Other	2,058,355	1,087,812	-	-	(970,543)
Support services:					
Pupil	642,504	-	277,167	-	(365,337)
Instructional staff	197,889	-	56,234	-	(141,655)
Board of education	110,653	-	-	-	(110,653)
Administration	941,672	-	19,720	-	(921,952)
Fiscal	283,560	-	-	-	(283,560)
Operations and maintenance	1,244,806	-	21,238	-	(1,223,568)
Pupil transportation	467,041	33,415	20,826	-	(412,800)
Central	1,432	-	2,080	-	648
Operation of non-instructional services:					
Food service operations	615,097	243,453	380,833	-	9,189
Other non-instructional services	257,374	-	243,452	-	(13,922)
Extracurricular activities	473,963	116,689	-	-	(357,274)
Interest and fiscal charges	358,109	-	-	-	(358,109)
Totals	\$ 15,817,578	\$ 1,790,636	\$ 2,380,156	\$ 19,328	(11,627,458)

General Revenues:

Property taxes levied for:	
General fund	3,830,710
Special revenue	490,199
Debt service	432,320
Capital projects	135,836
Grants and entitlements not restricted	
to specific programs	8,215,053
Investment earnings	248,943
Miscellaneous	104,403
Total general revenues	13,457,464
Change in net assets	1,830,006
Net assets at beginning of year (restated)	7,036,844
Net assets at end of year	\$ 8,866,850

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and cash equivalents	\$ 1,519,553	\$ 1,070,930	\$ 2,333,910	\$ 1,411,844	\$ 6,336,237
Receivables:					
Taxes	4,336,382	558,120	-	636,452	5,530,954
Accounts	11,636	-	-	1,781	13,417
Intergovernmental	-	-	-	246,411	246,411
Accrued interest	11	-	-	-	11
Interfund loans	27,220	-	-	-	27,220
Due from other funds.	46,652	-	-	-	46,652
Prepayments	18,208	-	-	-	18,208
Materials and supplies inventory	-	-	-	10,846	10,846
Restricted assets:					
Equity in pooled cash and cash equivalents	410,982	-	-	-	410,982
Total assets	<u>\$ 6,370,644</u>	<u>\$ 1,629,050</u>	<u>\$ 2,333,910</u>	<u>\$ 2,307,334</u>	<u>\$ 12,640,938</u>
Liabilities:					
Accounts payable.	\$ 76,891	\$ -	\$ -	\$ 15,205	\$ 92,096
Accrued wages and benefits	976,206	-	-	143,654	1,119,860
Compensated absences payable.	51,860	-	-	-	51,860
Early retirement incentive payable.	267,948	-	-	-	267,948
Pension obligation payable.	274,952	-	-	-	274,952
Intergovernmental payable	117,695	-	-	2,011	119,706
Interfund loans payable.	-	-	-	27,220	27,220
Due to other funds.	-	-	-	46,652	46,652
Deferred revenue	4,323,819	556,503	-	840,385	5,720,707
Total liabilities	<u>6,089,371</u>	<u>556,503</u>	<u>-</u>	<u>1,075,127</u>	<u>7,721,001</u>
Fund Balances:					
Reserved for encumbrances	217,817	-	-	126,420	344,237
Reserved for materials and supplies inventory	-	-	-	10,846	10,846
Reserved for property tax unavailable for appropriation.	12,563	1,617	-	1,844	16,024
Reserved for prepayments.	18,208	-	-	-	18,208
Reserved for debt service	-	-	-	100,730	100,730
Reserved for instructional materials.	285,793	-	-	-	285,793
Reserved for school bus purchases	29,624	-	-	-	29,624
Reserved for BWC refunds	95,565	-	-	-	95,565
Unreserved, undesignated (deficit), reported in:					
General fund.	(378,297)	-	-	-	(378,297)
Special revenue funds	-	1,070,930	-	759,771	1,830,701
Capital projects funds	-	-	2,333,910	232,596	2,566,506
Total fund balances.	<u>281,273</u>	<u>1,072,547</u>	<u>2,333,910</u>	<u>1,232,207</u>	<u>4,919,937</u>
Total liabilities and fund balances	<u>\$ 6,370,644</u>	<u>\$ 1,629,050</u>	<u>\$ 2,333,910</u>	<u>\$ 2,307,334</u>	<u>\$ 12,640,938</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	4,919,937
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			9,964,293
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	539,253	
Intergovernmental revenue		205,777	
Total			745,030
Accrued interest payable is not due and payable within the current period, therefore it is not reported in the funds.			(51,727)
Unamortized premiums on bond issuance is not recognized in the funds.			(410,925)
Unamortized bond issuance costs are not recognized in the funds.			64,684
Unamortized deferred charges on refundings are not recognized in the funds.			226,831
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		880,000	
Refunding bonds		3,250,000	
Asbestos loan		14,297	
Compensated absences		946,976	
Capital lease obligation		1,500,000	
Total			(6,591,273)
Net assets of governmental activities		\$	8,866,850

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Emergency Levy</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
From local sources:					
Taxes	\$ 3,860,827	\$ 493,438	\$ -	\$ 574,194	\$ 4,928,459
Tuition.	261,704	-	-	-	261,704
Transportation fees	33,415	-	-	-	33,415
Charges for services.	-	-	-	243,453	243,453
Earnings on investments.	238,490	-	7,843	2,610	248,943
Extracurricular.	-	-	-	117,109	117,109
Classroom materials and fees	-	-	-	14,002	14,002
Other local revenues	1,207,834	-	14,207	3,315	1,225,356
Intergovernmental - Intermediate	-	-	-	7,500	7,500
Intergovernmental - State	8,020,060	56,792	-	698,524	8,775,376
Intergovernmental - Federal.	72,032	-	-	1,592,733	1,664,765
Total revenues.	<u>13,694,362</u>	<u>550,230</u>	<u>22,050</u>	<u>3,253,440</u>	<u>17,520,082</u>
Expenditures:					
Current:					
Instruction:					
Regular	5,542,288	-	-	694,644	6,236,932
Special.	724,595	-	-	682,624	1,407,219
Vocational.	164,786	-	-	7,907	172,693
Other	2,058,355	-	-	-	2,058,355
Support Services:					
Pupil.	483,528	-	-	176,124	659,652
Instructional staff	161,939	-	-	40,296	202,235
Board of education	110,653	-	-	-	110,653
Administration.	925,297	-	-	18,644	943,941
Fiscal	262,487	10,488	-	10,142	283,117
Operations and maintenance.	1,182,296	-	-	76,072	1,258,368
Pupil transportation	421,490	-	-	75,759	497,249
Central.	-	-	-	1,432	1,432
Operation of non-instructional:					
Food service operations	-	-	-	614,619	614,619
Other non-instructional services	-	-	-	257,889	257,889
Extracurricular activities.	342,571	-	-	122,017	464,588
Facilities acquisition and construction	-	-	-	12,450	12,450
Debt service:					
Principal retirement	195,000	-	-	249,531	444,531
Interest and fiscal charges	87,090	-	-	257,247	344,337
Bond issuance costs.	-	-	-	65,086	65,086
Total expenditures	<u>12,662,375</u>	<u>10,488</u>	<u>-</u>	<u>3,362,483</u>	<u>16,035,346</u>
Excess of revenues over (under) expenditures	<u>1,031,987</u>	<u>539,742</u>	<u>22,050</u>	<u>(109,043)</u>	<u>1,484,736</u>
Other financing sources (uses):					
Transfers in.	-	-	-	55,656	55,656
Transfers (out)	(55,656)	-	-	-	(55,656)
Accrued interest on refunding bonds.	-	-	-	151	151
Premium on bonds.	-	-	-	413,477	413,477
Payment to refunding bond escrow agent.	-	-	-	(3,598,240)	(3,598,240)
Sale of bonds.	-	-	-	3,250,000	3,250,000
Sale of capital assets	60	-	-	-	60
Total other financing sources (uses)	<u>(55,596)</u>	<u>-</u>	<u>-</u>	<u>121,044</u>	<u>65,448</u>
Net change in fund balances	976,391	539,742	22,050	12,001	1,550,184
Fund balances (deficit) at beginning of year.	(695,118)	532,805	2,311,860	1,218,793	3,368,340
Increase in reserve for inventory	-	-	-	1,413	1,413
Fund balances at end of year	<u>\$ 281,273</u>	<u>\$ 1,072,547</u>	<u>\$ 2,333,910</u>	<u>\$ 1,232,207</u>	<u>\$ 4,919,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net change in fund balances - total governmental funds	\$	1,550,184
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	\$ 82,175	
Depreciation expense	(442,533)	
Total		(360,358)
Governmental funds report expenditures for inventory when purchased, however, on the statement of activities they are reported as an expense when consumed.		
		1,413
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(39,394)	
Intergovernmental	166,896	
Total		127,502
Payments to refunding bond escrow agents are an other financing use in the governmental funds, but the payment reduces long-term liabilities on the statement of net assets.		
		3,370,000
The issuance of refunding bonds are recorded as an other financing source in the governmental funds funds; however, the proceeds increase long-term liabilities on the statement net assets.		
		(3,250,000)
Premiums on refunding bonds are recognized as an other financing source in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		(410,925)
Bond issuance costs are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		64,684
Deferred charges on refundings are recognized as expenditures in the governmental funds; however, they are amortized over the life of the issuance in the statement of activities.		
		226,831
Repayment of bond, note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		444,531
On the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.		
		(14,664)
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
		80,808
Change in net assets of governmental activities	\$	1,830,006

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,700,605	\$ 3,833,030	\$ 3,863,649	\$ 30,619
Tuition.	318,395	259,630	261,704	2,074
Transportation fees.	40,623	33,125	33,390	265
Earnings on investments.	290,152	236,600	238,490	1,890
Other local revenues.	1,461,597	1,191,835	1,201,356	9,521
Intergovernmental - State	9,757,390	7,956,501	8,020,060	63,559
Intergovernmental - Federal	87,636	71,461	72,032	571
Total revenues.	<u>16,656,398</u>	<u>13,582,182</u>	<u>13,690,681</u>	<u>108,499</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,684,762	5,536,001	5,533,264	2,737
Special.	628,380	742,559	742,394	165
Vocational.	145,507	171,946	171,946	-
Other	1,798,859	2,125,719	2,125,619	100
Support Services:				
Pupil.	412,663	487,645	487,645	-
Instructional staff	132,471	156,542	156,467	75
Board of education	86,189	101,850	101,850	-
Administration.	773,307	913,820	905,787	8,033
Fiscal	223,203	263,760	263,256	504
Operations and maintenance.	1,040,928	1,230,068	1,207,159	22,909
Pupil transportation	353,154	417,323	413,026	4,297
Central.	2,539	3,000	3,000	-
Extracurricular activities.	286,996	339,144	339,144	-
Facilities aquisition and construction	240,018	283,630	283,630	-
Total expenditures	<u>10,808,976</u>	<u>12,773,007</u>	<u>12,734,187</u>	<u>38,820</u>
Excess of revenues over expenditures.	<u>5,847,422</u>	<u>809,175</u>	<u>956,494</u>	<u>147,319</u>
Other financing sources (uses):				
Refund of prior year expenditures.	76,953	62,750	63,251	501
Transfers in	95,297	77,708	78,329	621
Transfers (out)	(113,383)	(133,985)	(133,985)	-
Advances in.	195,778	159,644	160,919	1,275
Advances (out)	(23,034)	(27,220)	(27,220)	-
Sale of capital assets.	74	60	60	-
Total other financing sources (uses)	<u>231,685</u>	<u>138,957</u>	<u>141,354</u>	<u>2,397</u>
Net change in fund balance	6,079,107	948,132	1,097,848	149,716
Fund balance at beginning of year	453,638	453,638	453,638	-
Prior year encumbrances appropriated	70,394	70,394	70,394	-
Fund balance at end of year	<u>\$ 6,603,139</u>	<u>\$ 1,472,164</u>	<u>\$ 1,621,880</u>	<u>\$ 149,716</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
EMERGENCY LEVY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 495,917	\$ 493,779	\$ 493,779	\$ -
Intergovernmental - State	57,038	56,792	56,792	-
Total revenues.	<u>552,955</u>	<u>550,571</u>	<u>550,571</u>	<u>-</u>
Expenditures:				
Current:				
Support Services:				
Fiscal	2,067	10,488	10,488	-
Total expenditures	<u>2,067</u>	<u>10,488</u>	<u>10,488</u>	<u>-</u>
Net change in fund balance	550,888	540,083	540,083	-
Fund balance at beginning of year	<u>530,847</u>	<u>530,847</u>	<u>530,847</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,081,735</u>	<u>\$ 1,070,930</u>	<u>\$ 1,070,930</u>	<u>\$ -</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 29,719	\$ 37,894
Receivables:		
Accounts	-	394
	29,719	38,288
Total assets	29,719	\$ 38,288
Liabilities:		
Accounts payable.	15,250	\$ 1,034
Due to students	-	37,254
	15,250	38,288
Total liabilities	15,250	\$ 38,288
Net Assets:		
Held in trust for scholarships	14,469	
Total net assets	\$ 14,469	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,298
Gifts and contributions.	32,000
Total additions.	33,298
Deductions:	
Scholarships awarded	49,300
Change in net assets	(16,002)
Net assets at beginning of year.	30,471
Net assets at end of year	\$ 14,469

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Girard City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 323rd largest in the State of Ohio (among the 615 public school districts) in terms of enrollment. The average daily membership (ADM) as of June 30, 2006, was 1,780. The District employed 116 certified employees and 49 non-certified employees.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, preschool and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; (2) the District is legally entitled to or can otherwise access the organization's resources; (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

JOINTLY GOVERNED ORGANIZATIONS

Northeast Ohio Management Information Network (NEOMIN)

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county who must be employed by a participating school district, the fiscal agent or NEOMIN. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial statements, write to the Trumbull County Educational Service Center, 6000 Youngstown Warren Road, Niles, Ohio 44446.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan'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 Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary 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 District's major governmental funds:

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Emergency Levy Fund - The Emergency Levy special revenue fund is used to account for the accumulation of tax revenue generated by an emergency tax levy and the use of those funds.

Classroom Facilities Fund - The classroom facilities capital projects fund is used to account for financial resources and expenditures related to the school facilities construction project.

Other governmental funds of the District are used to account (a) for food service operations; (b) for the accumulation of resources for, and the repayment, of, long-term debt principal, interest and related costs; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for scholarship programs for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

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, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with Trumbull County Budget Commission for rate determination.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commissions' Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered cash balances from the preceding year. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the original and final amended Certificate issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

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

F. Cash and Investments

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

During fiscal year 2006, investments were limited to overnight repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes all investment earning are assigned to the general fund unless statutorily required to be credited to a specific fund. 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 2006 amounted to \$238,490, which includes \$189,450 assigned from other District funds.

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

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

G. Inventory

On government-wide and fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when received. Inventories are accounted for using the purchase method on the fund statements and using the consumption method on the government-wide statements.

On the fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

General capital 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 year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$1,500. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

All reported capital assets except land 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	Governmental Activities Estimated Lives
Land improvements	5 years
Buildings and improvements	25 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 years

I. Interfund Balances

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

J. Compensated Absences

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

In accordance with the provision of GASB Statement No. 16, “Accounting for Compensated Absences”, sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees’ rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

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

For 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.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are defined and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the Statement of Net Assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10 A.

L. 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 year. Bonds and notes are recognized as a liability on the fund financial statements when due.

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, instructional materials, school bus purchases, prepayments, property taxes unavailable for appropriation, Bureau of Workers Compensation (BWC) refunds, debt service and materials and supplies inventory. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

N. Net Assets

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year-end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset on the fund financial statements.

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by state statute to be set-aside for Bureau of Workers' Compensation (BWC) refunds and to create a reserve for textbooks/instructional materials. These amounts will only be restricted to the extent that cash is available. See Note 17 for details.

R. Interfund Activity

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

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

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

S. Parochial/Private Schools

Within the District boundaries is the St. Rose parochial school and the Seventh Day Adventist private school. Current state legislation provides funding to these parochial/private schools. These monies are received and disbursed on behalf of the parochial/private schools by the Treasurer of the District, as directed by the parochial/private school. The fiduciary responsibility of the District for these monies is reflected in a nonmajor governmental fund for financial reporting purposes.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2006.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation" and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Prior Period Adjustment

Beginning net assets have been restated due to a reappraisal of capital asset balances. This adjustment did not have an effect on the fund balances of the District as previously reported at June 30, 2005. The adjustment had the following effect on net assets at June 30, 2005:

Net assets June 30, 2005	\$ 7,088,345
Adjustment for capital assets	<u>(51,501)</u>
Net assets July 1, 2005, restated	<u>\$ 7,036,844</u>

C. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
SchoolNet Professional Development	\$ 46
Summer Intervention	257
Title I	35,770

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances are the result of adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 moneys are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of 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.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Deposits with Financial Institutions

At June 30, 2006, the carrying amount of all District deposits was \$(262,701), exclusive of the \$41,161 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, the District's bank balance of \$51,415 was covered by Federal Deposit Insurance Corporation.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Balance at Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase Agreement	\$ 41,161	\$ 41,161
STAR Ohio	<u>7,036,372</u>	<u>7,036,372</u>
Total	<u>\$ 7,077,533</u>	<u>\$ 7,077,533</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Custodial Credit Risk: For an investment, 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 investment or collateral securities that are in the possession of an outside party. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment company's counterparty, not in the name of the District.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreement	\$ 41,161	0.58
STAR Ohio	<u>7,036,372</u>	<u>99.42</u>
	<u>\$ 7,077,533</u>	<u>100.00</u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2006:

<u>Cash and Investments per footnote</u>	
Carrying amount of deposits	\$ (262,701)
Investments	<u>7,077,533</u>
Total	<u>\$ 6,814,832</u>
<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 6,747,219
Private-purpose trust funds	29,719
Agency fund	<u>37,894</u>
Total	<u>\$ 6,814,832</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Due to/from other funds at June 30, 2006 as reported on the fund statements, consist of the following amounts receivable/payable:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	<u>\$ 46,652</u>

The primary purpose of the amounts payable to other funds is for the collection of retirement and other premiums. These interfund balances will be repaid once the anticipated revenues are received.

- B.** Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 27,220</u>

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the Statement of Net Assets.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS – (Continued)

- C. Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers to Nonmajor Governmental funds from:	
General fund	<u>\$ 55,656</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes.

Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2004. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

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 the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Trumbull County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available as an advance can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006 was \$12,563 in the general fund, \$1,380 in the debt service fund, \$464 in the Permanent Improvement capital projects fund, and \$1,617 in the Emergency Levy special revenue fund. These amounts have been recorded as revenue. The amount available as an advance at June 30, 2005 was \$15,385 in the general fund, \$1,797 in the debt service fund, \$515 in the Permanent Improvement capital projects fund, and \$1,958 in the Emergency Levy special revenue fund.

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

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second		2006 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 123,056,260	84.57	\$ 138,134,070	86.19
Public utility personal	9,538,130	6.56	8,629,910	4.97
Tangible personal property	<u>12,920,157</u>	<u>8.87</u>	<u>13,517,526</u>	<u>8.84</u>
Total	<u>\$ 145,514,547</u>	<u>100.00</u>	<u>\$ 160,281,506</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 50.30		\$ 49.50	

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of Federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities	
Taxes	\$ 5,530,954
Accounts	13,417
Intergovernmental	246,411
Accrued interest	<u>11</u>
Total	<u>\$ 5,790,793</u>

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

NOTE 8 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to a reappraisal of capital assets reported in the prior year. See Note 3.B for detail:

	Audited Balance <u>06/30/05</u>	<u>Adjustments</u>	Restated Balance <u>06/30/05</u>
Governmental Activities			
Capital assets, not being depreciated:			
Land	\$ <u>173,570</u>	\$ -	\$ <u>173,570</u>
Total capital assets, not being depreciated	<u>173,570</u>	<u>-</u>	<u>173,570</u>
Capital assets, being depreciated:			
Land improvements	536,283	-	536,283
Building/improvements	13,358,689	-	13,358,689
Furniture/equipment	2,289,577	(574,803)	1,714,774
Vehicles	<u>815,260</u>	<u>-</u>	<u>815,260</u>
Total capital assets, being depreciated	<u>16,999,809</u>	<u>(574,803)</u>	<u>16,425,006</u>
Less: accumulated depreciation			
Land improvements	(370,826)	11,592	(359,234)
Building/improvements	(4,161,233)	504,861	(3,656,372)
Furniture/equipment	(1,540,785)	20,489	(1,520,296)
Vehicles	<u>(724,383)</u>	<u>(13,640)</u>	<u>(738,023)</u>
Total accumulated depreciation	<u>(6,797,227)</u>	<u>523,302</u>	<u>(6,273,925)</u>
Governmental activities capital assets, net	<u>\$ 10,376,152</u>	<u>\$ (51,501)</u>	<u>\$ 10,324,651</u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 8 - CAPITAL ASSETS – (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Restated Balance <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 173,570	\$ -	\$ -	\$ 173,570
Total capital assets, not being depreciated	<u>173,570</u>	<u>-</u>	<u>-</u>	<u>173,570</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	536,283	-	-	536,283
Buildings and improvements	13,358,689	-	-	13,358,689
Furniture and equipment	1,714,774	24,289	(5,868)	1,733,195
Vehicles	815,260	57,886	-	873,146
Total capital assets, being depreciated	<u>16,425,006</u>	<u>82,175</u>	<u>(5,868)</u>	<u>16,501,313</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(359,234)	(12,472)	-	(371,706)
Buildings and improvements	(3,656,372)	(373,239)	-	(4,029,611)
Furniture and equipment	(1,520,296)	(36,168)	5,868	(1,550,596)
Vehicles	(738,023)	(20,654)	-	(758,677)
Total accumulated depreciation	<u>(6,273,925)</u>	<u>(442,533)</u>	<u>5,868</u>	<u>(6,710,590)</u>
Governmental activities capital assets, net	<u>\$ 10,324,651</u>	<u>\$ (360,358)</u>	<u>\$ -</u>	<u>\$ 9,964,293</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 393,467
<u>Support Services:</u>	
Instructional staff	4,524
Administration	745
Fiscal	79
Operations and maintenance	709
Pupil transportation	28,897
Extracurricular activities	12,874
Food service operations	<u>1,238</u>
Total depreciation expense	<u>\$ 442,533</u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior year, the District entered into a capitalized lease for building improvements through the Girard Community Improvement Corporation. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of building improvements have been capitalized in the amount of \$4,015,000. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2006 was \$642,400, leaving a current book value of \$3,372,600. Principal payments in fiscal year 2006 totaled \$195,000 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2006:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2007	\$ 475,757
2008	152,250
2009	152,500
2010	147,250
2011	142,000
2012 - 2016	631,250
2017 - 2018	<u>215,750</u>
Total minimum lease payments	1,916,757
Less amount representing interest	<u>(416,757)</u>
Total	<u><u>\$ 1,500,000</u></u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/06</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
<u>General Obligation Notes:</u>						
Asbestos loan	N/A	\$ 23,828	\$ -	\$ (9,531)	\$ 14,297	\$ 9,531
Total general obligation notes payable		<u>23,828</u>	<u>-</u>	<u>(9,531)</u>	<u>14,297</u>	<u>9,531</u>
<u>General Obligation Bonds:</u>						
Construction bonds	4.60-7.00%	4,445,000	-	(3,565,000)	880,000	205,000
Refunding bonds	3.85-5.75%	-	3,250,000	-	3,250,000	-
Energy conservation bonds	5.00%	45,000	-	(45,000)	-	-
Total bonds payable		<u>4,490,000</u>	<u>3,250,000</u>	<u>(3,610,000)</u>	<u>4,130,000</u>	<u>205,000</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation	5.39-5.65%	1,695,000	-	(195,000)	1,500,000	405,000
Early retirement incentive		-	383,417	(115,469)	267,948	267,948
Compensated absences		1,108,474	12,132	(121,770)	998,836	98,999
Total other long-term obligations		<u>2,803,474</u>	<u>395,549</u>	<u>(432,239)</u>	<u>2,766,784</u>	<u>771,947</u>
Total governmental activities		<u>\$ 7,317,302</u>	<u>\$ 3,645,549</u>	<u>\$ (4,051,770)</u>	6,911,081	<u>\$ 986,478</u>
					Add: Unamortized premium on bond issue	410,925
					Less: Unamortized deferred charges on refunding	<u>(226,831)</u>
					Total reported on statement of net assets	<u>\$ 7,095,175</u>

EPA Asbestos Loan: Non-interest bearing with semi-annual payments of \$4,766. The note matures December 2007.

Energy Conservation Bonds: The District issued Energy conservation bonds on October 1, 1995. These bonds were completely retired from the debt service fund during fiscal year 2006.

General Obligation Bonds: Construction bonds were issued in December 1999, with an interest rate of 5.58% for construction of the Intermediate School and mature December 2019. During fiscal year 2006, a \$195,000 principal payment was made and the callable portion of the bonds, \$3,370,000, were advance refunded. The non-callable portion of \$880,000 remained as a liability at June 30, 2006.

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

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

Capital Lease Obligation: The District issued two capital leases for community improvement in prior years. The first was issued in October 1998, in the amount of \$2,160,000, which matures in October 2006. The second was issued in June 1998, in the amount of \$1,855,000, which matures in June 2018. See Note 9 for more details.

- B.** On June 6, 2006 the District issued general obligation bonds (Refunding Bonds – Series 2006) to advance refund the callable portion of the Construction Bonds – Series 1999 (principal \$3,370,000). Issuance proceeds totaling \$3,598,240 were deposited with an escrow agent and were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the Statement of Net Assets. The refunding issue is comprised of current interest term bonds, par value \$3,250,000. Payments of principal and interest on the refunding bonds will be made from the debt service fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$228,240. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 14 years by 3.938% and resulted in an economic gain of \$177,993.

- C.** Principal and interest requirements to retire the long-term obligations outstanding at June 30, 2006, are as follows:

Year Ended	General Obligation Notes			Construction Bonds - Series 1999		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 9,531	\$ -	\$ 9,531	\$ 205,000	\$ 249,468	\$ 454,468
2008	4,766	-	4,766	215,000	235,820	450,820
2009	-	-	-	225,000	224,608	449,608
2010	-	-	-	235,000	205,945	440,945
Total	<u>\$ 14,297</u>	<u>\$ -</u>	<u>\$ 14,297</u>	<u>\$ 880,000</u>	<u>\$ 915,841</u>	<u>\$ 1,795,841</u>

Year Ended	Refunding Bonds - Series 2006		
	Principal	Interest	Total
2007	\$ -	\$ 184,188	\$ 184,188
2008	-	186,783	186,783
2009	5,000	186,686	191,686
2010	5,000	186,494	191,494
2011	235,000	181,874	416,874
2012 - 2016	1,475,000	675,700	2,150,700
2017 - 2020	<u>1,530,000</u>	<u>182,425</u>	<u>1,712,425</u>
Total	<u>\$ 3,250,000</u>	<u>\$ 1,784,150</u>	<u>\$ 5,034,150</u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2006 are a voted debt margin of \$10,397,446 and an unvoted debt margin of \$160,282.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Only administrative and support personnel who are under a full contract (260 days) are eligible for vacation time.

Classified employees earn five to twenty five days of vacation per year, depending upon length of service. Any vacation time which is unused as of the employee's anniversary date, is expired and not available for use in a subsequent year unless approved by the Superintendent. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis.

For classified employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to fifty days.

For certified employees, retirement severance is also paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement. The dollar amount of severance pay is calculated based on the following; an employee who has zero years through 29 years of service will receive twenty-five percent of the employee's accumulated sick leave at the time of his/her retirement, up to a maximum of fifty-three days. Employees who have thirty (30) or more years of teaching service shall qualify for twenty-five percent of their accumulated current sick leave upon retirement up to a maximum of sixty-five (65) days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance in the amount of \$50,000 to certified employees. For classified employees, group term life insurance is provided in the amount of \$50,000 employees under contract for thirty-five hours or more per week, \$20,000 for classified employees under contract for twenty to thirty-four hours per week, and \$10,000 for employees working less than twenty hours per week.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

General liability insurance was maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the aggregate, general liability coverage for employee dishonesty bonds was maintained in the amount of \$20,000 with no deductible.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents, which includes boiler and machinery, in the amount of \$30,715,500 with a \$1,000 deductible. Other property insurance includes \$10,000,000 for the boiler and machinery with a \$1,000 deductible.

\$20,000 performance bonds are maintained for the Superintendent, Treasurer and Board President. All performance bonds are maintained by the United States Fidelity and Guaranty Company through the Griffith Agency.

B. Group Health and Dental Insurance

The District provides life insurance and accidental death and dismemberment insurance to its employees. Coverage is \$50,000 for all certified and administrative staff, \$50,000 for all non-union full time classified staff, \$150,000 for the Superintendent, and \$500,000 coverage for the Treasurer. Coverage is provided through the Medical Life Insurance Company. Coverage is not less than \$50,000 per union classified employee with coverage provided by the Medical Life Insurance Company.

The District has elected to provide employee medical/surgical benefits through a consortium of school districts known as the Trumbull County Schools Insurance Consortium Association. This consortium purchases stop loss coverage of \$125,000 through the General American Life Insurance Company, and the pool covers the excess. A third part administrator, Coresource, located in Columbus, Ohio, reviews and pays claims for the consortium. The premium is expensed to the fund that pays the wages of the employee.

Dental, prescription drug, and vision coverage are also provided through Coresource for family coverage and individual coverage. The District also offers a health maintenance plan to its employees through MetLife Insurance Company.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 12 - RISK MANAGEMENT – (Continued)

C. OSBA Group Workers Compensation Group Rating Plan

For fiscal year 2006, the District participated in the Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 insures 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.

NOTE 13 – PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, 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 (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were \$153,339, \$142,079, \$124,058; 50.17 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$76,407 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 13 – PENSION PLANS – (Continued)

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions to fund pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$832,542, \$819,152 and \$820,291; 83.67 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. \$135,943 represents the unpaid contributions for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal year 2006 were \$8,494 made by the District and \$22,427 made by the plan members.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 13 – PENSION PLANS – (Continued)

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 of Ohio have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System of Ohio. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 14 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified 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.

STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$64,042 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS Ohio were \$254.780 million and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. 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 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$75,627 to fund health care benefits, including the surcharge.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue fund is as follows:

Net Change in Fund Balance

	<u>General Fund</u>	<u>Emergency Levy</u>
Budget basis	\$ 1,097,848	\$ 540,083
Net adjustment for revenue accruals	3,681	(341)
Net adjustment for expenditure accruals	(236,843)	-
Net adjustment for other sources/uses	(196,950)	-
Adjustment for encumbrances	<u>308,655</u>	<u>-</u>
GAAP basis	<u>\$ 976,391</u>	<u>539,742</u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2005	\$ 259,346	\$ -	\$ 95,565
Current year set-aside requirement	262,123	262,123	-
Qualifying disbursements	<u>(235,676)</u>	<u>(295,591)</u>	<u>-</u>
Total	<u>\$ 285,793</u>	<u>\$ (33,468)</u>	<u>\$ 95,565</u>
Balance carried forward to FY 2007	<u>\$ 285,793</u>	<u>\$ -</u>	<u>\$ 95,565</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the instructional materials reserve and the capital acquisition reserve.

Although the District had qualifying disbursements during the year that reduced the set-aside amounts below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)

NOTE 17 - STATUTORY RESERVES – (Continued)

A schedule of the governmental fund restricted assets at June 30, 2006 follows:

Amount restricted for BWC refunds	\$ 285,793
Amount restricted for school bus purchases	29,624
Amount restricted for instructional materials	<u>95,565</u>
Total restricted assets	<u><u>\$ 410,982</u></u>

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Food Distribution Program		10.550		\$80,090		\$80,090
Nutrition Cluster: School Breakfast Program		10.553	\$ 45,833		\$ 45,833	
National School Lunch Program		10.555	238,487		238,487	
Total Nutrition Cluster			<u>284,320</u>		<u>284,320</u>	
Total U.S. Department of Agriculture			<u>284,320</u>	<u>80,090</u>	<u>284,320</u>	<u>80,090</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster: Special Education Grants to States (IDEA Part B)		6BPB-2006	14,246		11,412	
		6BSD-2005	26,816		23,370	
		6BSD-2006	34,374		31,193	
		6BSF-2005	144,687		12,192	
		6BSF-2006	368,165		202,264	
Total Special Education Cluster			<u>588,288</u>		<u>280,431</u>	
Grants to Local Educational Agencies (ESEA Title I)		C1S1-2004	0		52,421	
		C1S1-2005	212,058		220,310	
		C1S1-2006	468,728		423,924	
Total Grants to Local Educational Agencies (ESEA Title I)			<u>680,786</u>		<u>696,655</u>	
Vocational Education - Basic Grants to States		20A0-2005	10,000		0	
Innovative Educational Program Strategies		C2S1-2005	904		6,666	
		C2S1-2005	4,413		3,812	
Total Innovative Educational Program Strategies			<u>5,317</u>		<u>10,478</u>	
Drug-Free Schools Grant		DRS1-2006	14,483		12,177	
Education Technology State Grants		84.318	0		13,353	
		TJS1-2006	8,717		7,752	
Total Education Technology State Grants			<u>8,717</u>		<u>21,105</u>	
Improving Teacher Quality State Grants		TR S1-2004	-		12,059	
		TR S1-2005	45,889		46,088	
		TR S1-2006	44,076		71,177	
Total Improving Teacher Quality State Grants			<u>89,965</u>		<u>129,324</u>	
21st Century Community Learning Centers		T1S1-2005	51,104		70,041	
		T1S1-2006	214,910		154,281	
Total 21st Center Community Learning Centers			<u>266,014</u>		<u>224,322</u>	
Hurricane Education Recovery		HR01-2006	2,000		2,000	
Total Department of Education			<u>1,665,570</u>		<u>1,376,492</u>	
<u>INSTITUTE OF MUSUEM AND LIBRARY SERVICES</u>						
<i>Passed Through Ohio Emergency Management Agency:</i>						
Grants to States		45.310	-		274	
Totals			<u>\$1,949,890</u>	<u>\$80,090</u>	<u>\$1,661,086</u>	<u>\$80,090</u>

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

**GIRARD CITY SCHOOL DISTRICT
TRUMBLL COUNTY**

**NOTES TO FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Mary Taylor, CPA

Auditor of State

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

Girard City School District
Trumbull County
704 E. Prospect Street
Girard, Ohio 44420

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Girard City School District, Trumbull County, (the Government) as of and for the year ended June 30, 2006, which collectively comprise the Government's basic financial statements and have issued our report thereon dated September 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Government's management dated September 26, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Government's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

In a separate letter to the Government's management dated September 26, 2007, we reported other matters related to noncompliance we deemed immaterial.

Girard City School District
Trumbull County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management, Board of Education and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

September 26, 2007



Mary Taylor, CPA

Auditor of State

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

Girard City School District
Trumbull County
704 E. Prospect Street
Girard, Ohio 44420

To the Board of Education:

Compliance

We have audited the compliance of Girard City School District, Trumbull County (the Government) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the Government's major federal programs. The Government's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Government'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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Government's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government's compliance with those requirements.

In our opinion, the Girard City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

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

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 26, 2007

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**GIRARD CITY SCHOOL DISTRICT
TRUMBULL COUNTY
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Improving Teacher Quality State Grants (84.367) Nutrition Cluster (10.553, 10.555) Food Distribution Program (10.550)
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

GIRARD CITY SCHOOL DISTRICT

TRUMBULL 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
JANUARY 17, 2008**