

**JAMES A. GARFIELD LOCAL  
SCHOOL DISTRICT**

**PORTAGE COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2008***

**TRACY KNAUER, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
James A. Garfield Local School District  
10235 SR 88  
Garrettsville, Ohio 44231

We have reviewed the *Independent Auditor's Report* of the James A. Garfield Local School District, Portage County, prepared by Rea & Associates, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

December 19, 2008

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY, OHIO**  
**BASIC FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 3, 2008

The Board of Education  
James A. Garfield Local School District  
10235 SR 88  
Garrettsville, Ohio 44231

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of James A. Garfield Local School District (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2008, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2008 on our consideration of the School District'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hea & Associates, Inc.*

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

The management's discussion and analysis of the James A. Garfield Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. 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 2008 are as follows:

- In total, net assets of governmental activities decreased \$59,834 which represents a 1.90% decrease from 2007.
- General revenues accounted for \$10,957,856 in revenue or 80.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,710,442 or 19.83% of total revenues of \$13,668,298.
- The District had \$13,728,132 in expenses related to governmental activities; \$2,710,442 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,957,856 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$11,922,622 in revenues and other financing sources and \$11,844,414 in expenditures. During fiscal year 2008, the general fund's fund balance increased \$78,208 from \$807,196 to \$885,404.

**Using these Basic Financial Statements**

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

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

**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 2008?" 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.



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED**

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 fund is the general 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 that 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 to 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 15-19 of this report.

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

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary assets and liabilities on page 20. 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 21-48 of this report.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole. A comparative analysis has been provided.

The table below provides a summary of the District's net assets for 2008 and 2007.

	<b>Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Assets</u></b>		
Current and other assets	\$ 7,551,775	\$ 7,882,996
Capital assets, net	<u>7,966,289</u>	<u>8,185,478</u>
Total assets	<u>15,518,064</u>	<u>16,068,474</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,063,130	6,313,968
Long-term liabilities	<u>6,367,875</u>	<u>6,607,613</u>
Total liabilities	<u>12,431,005</u>	<u>12,921,581</u>
<b><u>Net assets</u></b>		
Invested in capital assets, net of related debt	2,383,988	2,680,177
Restricted	384,102	437,693
Unrestricted	<u>318,969</u>	<u>29,023</u>
Total net assets	<u>\$ 3,087,059</u>	<u>\$ 3,146,893</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$3,087,059. Of this total, \$384,102 is restricted in use.

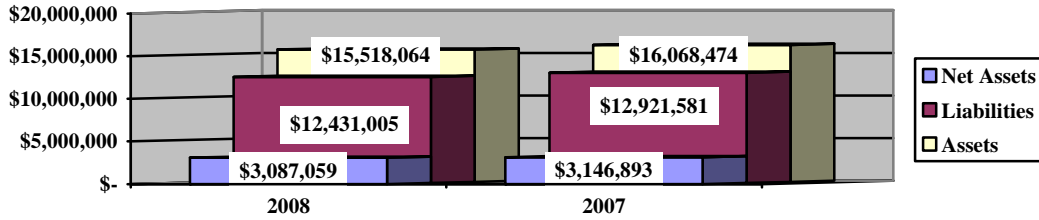
At year-end, capital assets represented 51.34% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$2,383,988. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$384,102, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$318,969 may be used to meet the District's ongoing obligations to the students and creditors.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Governmental Activities**



The table below shows the change in net assets for fiscal year 2008 and 2007.

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,462,764	\$ 1,252,659
Operating grants and contributions	1,240,533	1,199,885
Capital grants and contributions	7,145	11,751
General revenues:		
Property taxes	4,611,486	4,725,877
Grants and entitlements	6,186,368	6,110,624
Investment earnings	126,241	159,488
Miscellaneous	<u>33,761</u>	<u>98,826</u>
 Total revenues	 <u>\$ 13,668,298</u>	 <u>\$ 13,559,110</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
UNAUDITED

**Change in Net Assets**

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 6,160,779	\$ 6,248,657
Special	1,345,106	1,278,214
Vocational	1,824	-
Adult/continuing	-	5,050
Other	24,181	5,943
Support services:		
Pupil	599,380	546,914
Instructional staff	460,862	403,087
Board of education	36,586	27,829
Administration	1,059,732	967,121
Fiscal	297,410	329,126
Operations and maintenance	1,297,435	1,139,344
Pupil transportation	960,219	921,162
Central	140,365	39,454
Operations of non-instructional services:		
Non-instructional services	-	376
Food service operations	566,202	538,445
Extracurricular activities	497,273	463,663
Interest and fiscal charges	<u>280,778</u>	<u>239,870</u>
Total expenses	<u>13,728,132</u>	<u>13,154,255</u>
Change in net assets	(59,834)	404,855
Net assets at beginning of year	<u>3,146,893</u>	<u>2,742,038</u>
Net assets at end of year	<u>\$ 3,087,059</u>	<u>\$ 3,146,893</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$59,834. Total governmental expenses of \$13,728,132 were offset by program revenues of \$2,710,442 and general revenues of \$10,957,856. Program revenues supported 19.74% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 79.00% of total governmental revenue.

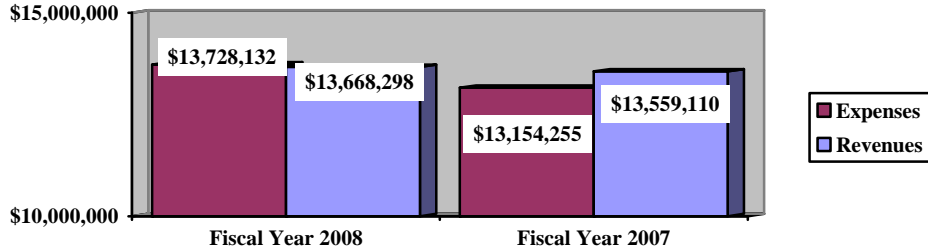
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,531,890 or 54.86% of total governmental expenses for fiscal 2008.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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The graph below presents the District's governmental activities revenue and expenses for fiscal year 2008 and 2007.

**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. The following is a comparison of 2008 and 2007.

**Governmental Activities**

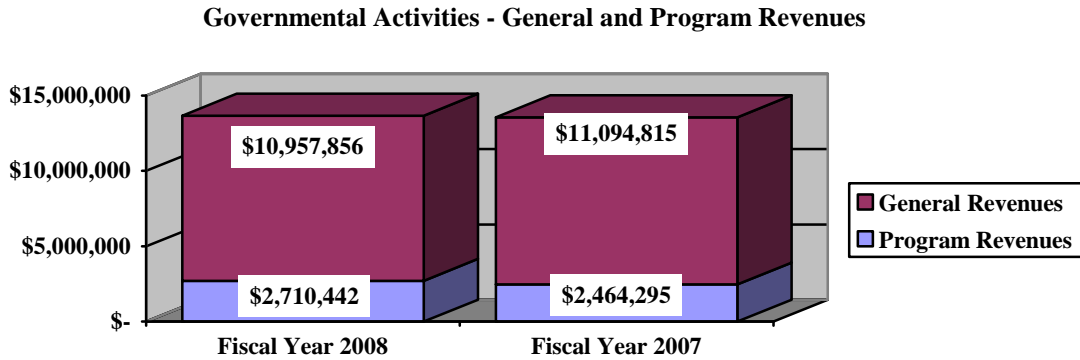
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 6,160,779	\$ 5,254,356	\$ 6,248,657	\$ 5,383,930
Special	1,345,106	629,470	1,278,214	616,474
Vocational	1,824	(755)	-	-
Adult/continuing	-	-	5,050	-
Other	24,181	1,933	5,943	(889)
Support services:				
Pupil	599,380	545,443	546,914	487,722
Instructional staff	460,862	354,838	403,087	298,828
Board of education	36,586	36,586	27,829	27,829
Administration	1,059,732	1,005,793	967,121	925,461
Fiscal	297,410	297,410	329,126	329,126
Operations and maintenance	1,297,435	1,297,435	1,139,344	1,139,344
Pupil transportation	960,219	906,688	921,162	871,005
Central	140,365	8,676	39,454	23,074
Operations of non-instructional services:				
Non-instructional services	-	-	376	376
Food service operations	566,202	25,524	538,445	2,815
Extracurricular activities	497,273	373,515	463,663	344,995
Interest and fiscal charges	280,778	280,778	239,870	239,870
<b>Total expenses</b>	<u>\$ 13,728,132</u>	<u>\$ 11,017,690</u>	<u>\$ 13,154,255</u>	<u>\$ 10,689,960</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The dependence upon tax and other general revenues for governmental activities is apparent, 78.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.26% and 81.27% for fiscal years 2008 and 2007, respectively. The District's taxpayers and unrestricted grants from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2008 and 2007.



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,135,821, which is less than last year's total of \$1,168,594. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 885,404	\$ 807,196	\$ 78,208	9.69 %
Other Governmental	<u>250,417</u>	<u>361,398</u>	<u>(110,981)</u>	(30.71) %
Total	<u>\$ 1,135,821</u>	<u>\$ 1,168,594</u>	<u>\$ (32,773)</u>	(2.80) %

**General Fund**

The District's general fund balance increased \$78,208. The table that follows assists in illustrating the financial activities of the general fund.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,224,537	\$ 4,284,894	\$ (60,357)	(1.41) %
Tuition	838,295	748,757	89,538	11.96 %
Earnings on investments	126,241	158,784	(32,543)	(20.50) %
Intergovernmental	6,619,010	6,506,708	112,302	1.73 %
Other revenues	<u>114,070</u>	<u>22,755</u>	<u>91,315</u>	401.30 %
Total	<u>\$ 11,922,153</u>	<u>\$ 11,721,898</u>	<u>\$ 200,255</u>	1.71 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,954,380	\$ 6,944,753	\$ 9,627	0.14 %
Support services	4,498,955	4,404,017	94,938	2.16 %
Extracurricular activities	357,155	341,171	15,984	4.69 %
Debt service	<u>33,924</u>	<u>33,924</u>	<u>-</u>	- %
Total	<u>\$ 11,844,414</u>	<u>\$ 11,723,865</u>	<u>\$ 120,549</u>	1.03 %

The significant decrease in earnings on investments is primarily due to a decrease in interest rates. The increase in tuition is due to the increased number of students from open enrollment. The increase in other revenues is primarily due to more employees contributing to the District's section 125 plan. Expenditures remained consistent with the prior fiscal year.

***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 2008, the District amended its general fund budget a few times. For the general fund, original budgeted revenues and other financing sources were \$11,885,842 and final budgeted revenues and other financing sources were \$11,992,636. Actual revenues and other financing sources for fiscal 2008 were \$11,990,194. This represents a \$2,442 decrease below final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$12,323,529 were increased to \$12,441,723 in the final appropriations. The actual budget basis expenditures for fiscal year 2008 totaled \$12,277,480, which was \$164,243 below the final budget appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2008, the District had \$7,966,289 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. This entire amount is reported in governmental activities.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 118,773	\$ 118,773
Land improvements	37,240	-
Building and improvements	7,086,345	7,282,172
Furniture, fixtures and equipment	284,849	341,958
Vehicles	439,082	442,575
Total	\$ 7,966,289	\$ 8,185,478

The overall decrease in capital assets of \$219,189 is due to depreciation expense of \$381,799 being greater than capital outlays of \$164,592 and disposals of \$1,982 (net of accumulated depreciation) in the current fiscal year.

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

***Debt Administration***

At June 30, 2008, the District had \$5,553,483 in general obligation bonds and \$97,188 in capital lease obligations outstanding. The general obligation bonds consist of current interest bonds and capital appreciation bonds. The capital appreciation bonds include accreted interest in the amount of \$73,487 and mature during fiscal years 2011 and 2012. Of this total, \$292,350 is due within one year and \$5,358,321 is due in more than one year. The following table summarizes the bonds and leases outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 5,553,483	\$ 5,798,166
Capital lease obligations	97,188	122,505
Total	\$ 5,650,671	\$ 5,920,671

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



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Current Financial Related Activities**

The Board of Education and administration closely monitor revenue and expenditures in accordance with the financial forecast. The District has communicated to its community the reliance upon their support for the majority of its operations, and that it will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. The renewal of the five year emergency levy, which generates \$925,000, will be on the ballot in November 2008.

With State funding accounting for approximately half of the District's revenue, the economic plight of the State causes concern for the District. Ohio has phased out the local personal property tax charged to businesses for equipment, machinery, furniture, fixtures and inventory. This local property tax is being replaced with the statewide CAT tax which is based on sales receipts. While local tax districts are being held harmless for five years, this revenue source will be phased out through fiscal year 2018. Due to the originality of the CAT tax and the length of time involved in the phase out, the effects of this change on the District remains to be seen. The economic downturn affecting not only the State of Ohio, but the United States of America, causes concern for property values as well. Historically, property growth has been a source of additional revenue. The overall District value has not declined, but the loss of growth results in a flat revenue stream.

In conclusion, the budgeting and internal controls utilized by the District are well regarded. The District is committed to living within its financial means, and working with the community it serves in order to garner adequate resources to support a quality educational program.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact: Mrs. Tracy Knauer, Treasurer, James A. Garfield Local School District, 10235 State Route 88, Garrettsville, Ohio 44231.

**BASIC  
FINANCIAL STATEMENTS**

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 2,517,462
Receivables:	
Taxes . . . . .	4,795,697
Accounts . . . . .	714
Intergovernmental . . . . .	48,744
Prepayments. . . . .	30,280
Materials and supplies inventory . . . . .	59,302
Unamortized bond issue costs. . . . .	99,576
Capital assets:	
Land. . . . .	118,773
Depreciable capital assets, net . . . . .	7,847,516
Total capital assets, net . . . . .	7,966,289
 Total assets. . . . .	 15,518,064
<b>Liabilities:</b>	
Accounts payable. . . . .	51,696
Accrued wages and benefits . . . . .	1,167,059
Compensated absences payable. . . . .	75,670
Retirement incentive payable. . . . .	50,000
Pension obligation payable. . . . .	292,698
Intergovernmental payable . . . . .	48,614
Unearned revenue . . . . .	4,359,830
Accrued interest payable . . . . .	17,563
Long-term liabilities:	
Due within one year. . . . .	357,710
Due in more than one year . . . . .	6,010,165
 Total liabilities . . . . .	 12,431,005
<b>Net assets:</b>	
Invested in capital assets, net of related debt. . . . .	2,383,988
Restricted for:	
Debt service. . . . .	273,440
Federally funded programs . . . . .	1,205
Student activities . . . . .	25,530
Other purposes . . . . .	83,927
Unrestricted . . . . .	318,969
 Total net assets . . . . .	 \$ 3,087,059

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	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
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 6,160,779	\$ 841,811	\$ 64,612	\$ -	\$ (5,254,356)
Special . . . . .	1,345,106	18,123	697,513	-	(629,470)
Vocational . . . . .	1,824	-	2,579	-	755
Other . . . . .	24,181	-	22,248	-	(1,933)
Support services:					
Pupil. . . . .	599,380	-	53,937	-	(545,443)
Instructional staff . . . . .	460,862	-	106,024	-	(354,838)
Board of education . . . . .	36,586	-	-	-	(36,586)
Administration. . . . .	1,059,732	11,065	42,874	-	(1,005,793)
Fiscal. . . . .	297,410	-	-	-	(297,410)
Operations and maintenance . . . . .	1,297,435	-	-	-	(1,297,435)
Pupil transportation . . . . .	960,219	8,520	37,866	7,145	(906,688)
Central. . . . .	140,365	126,123	5,566	-	(8,676)
Operation of non-instructional services:					
Food service operations . . . . .	566,202	333,364	207,314	-	(25,524)
Extracurricular activities . . . . .	497,273	123,758	-	-	(373,515)
Interest and fiscal charges . . . . .	280,778	-	-	-	(280,778)
Totals . . . . .	<u>\$ 13,728,132</u>	<u>\$ 1,462,764</u>	<u>\$ 1,240,533</u>	<u>\$ 7,145</u>	<u>(11,017,690)</u>

**General revenues:**

Property taxes levied for:	
General purposes . . . . .	4,180,765
Debt service. . . . .	430,721
Grants and entitlements not restricted to specific programs. . . . .	
Investment earnings. . . . .	126,241
Miscellaneous . . . . .	33,761
Total general revenues . . . . .	<u>10,957,856</u>
Change in net assets . . . . .	(59,834)
<b>Net assets at beginning of year . . . . .</b>	<u>3,146,893</u>
<b>Net assets at end of year . . . . .</b>	<u>\$ 3,087,059</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 2,114,193	\$ 330,342	\$ 2,444,535
Receivables:			
Taxes . . . . .	4,361,184	434,513	4,795,697
Accounts . . . . .	174	540	714
Intergovernmental. . . . .	-	48,744	48,744
Interfund loans . . . . .	5,574	-	5,574
Prepayments . . . . .	30,208	72	30,280
Materials and supplies inventory. . . . .	45,247	14,055	59,302
Due from other funds. . . . .	405	-	405
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	72,927	-	72,927
Total assets. . . . .	<u>\$ 6,629,912</u>	<u>\$ 828,266</u>	<u>\$ 7,458,178</u>
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 51,089	\$ 607	\$ 51,696
Accrued wages and benefits . . . . .	1,066,870	100,189	1,167,059
Compensated absences payable. . . . .	75,670	-	75,670
Retirement incentive payable. . . . .	50,000	-	50,000
Pension obligation payable . . . . .	259,109	33,589	292,698
Intergovernmental payable . . . . .	46,360	2,254	48,614
Interfund loan payable . . . . .	-	5,574	5,574
Due to other funds. . . . .	-	405	405
Unearned revenue. . . . .	3,961,515	398,315	4,359,830
Deferred revenue . . . . .	233,895	36,916	270,811
Total liabilities . . . . .	<u>5,744,508</u>	<u>577,849</u>	<u>6,322,357</u>
<b>Fund balances:</b>			
Reserved for encumbrances. . . . .	232,492	9,147	241,639
Reserved for prepayments . . . . .	30,208	72	30,280
Reserved for materials and supplies inventory. . . . .	45,247	14,055	59,302
Reserved for property tax unavailable for appropriation. . . . .	165,774	17,858	183,632
Reserved for budget stabilization . . . . .	50,662	-	50,662
Reserved for school bus purchases. . . . .	22,265	-	22,265
Unreserved, undesignated (deficit), reported in:			
General fund. . . . .	338,756	-	338,756
Special revenue funds . . . . .	-	(28,247)	(28,247)
Debt service fund . . . . .	-	237,532	237,532
Total fund balances . . . . .	<u>885,404</u>	<u>250,417</u>	<u>1,135,821</u>
Total liabilities and fund balances . . . . .	<u>\$ 6,629,912</u>	<u>\$ 828,266</u>	<u>\$ 7,458,178</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

<b>Total governmental fund balances</b>		\$ 1,135,821
<i>Amounts reported for governmental activities on 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.		7,966,289
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 252,235	
Intergovernmental revenue	18,576	
Total		270,811
Unamortized bond issue costs are not recognized in the funds		99,576
Unamortized premiums on bond issuance are not recognized in the funds.		(246,709)
Unamortized deferred charges on refundings are not recognized in the funds.		142,016
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.		(17,563)
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	5,553,483	
Compensated absences	612,511	
Capital lease obligation	97,188	
Total		(6,263,182)
<b>Net assets of governmental activities</b>		<b>\$ 3,087,059</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,224,537	\$ 416,557	\$ 4,641,094
Tuition . . . . .	838,295	-	838,295
Transportation fees . . . . .	8,520	-	8,520
Earnings on investments . . . . .	126,241	323	126,564
Charges for services . . . . .	-	333,364	333,364
Extracurricular . . . . .	-	134,823	134,823
Classroom materials and fees . . . . .	627	21,012	21,639
Donations and contributions . . . . .	-	8,703	8,703
Other local revenues . . . . .	104,923	54,961	159,884
Intergovernmental - State . . . . .	6,586,257	104,623	6,690,880
Intergovernmental - Federal . . . . .	32,753	713,607	746,360
Total revenues . . . . .	<u>11,922,153</u>	<u>1,787,973</u>	<u>13,710,126</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,877,355	105,477	5,982,832
Special . . . . .	1,076,984	260,732	1,337,716
Other . . . . .	41	24,140	24,181
Support services:			
Pupil . . . . .	535,646	57,473	593,119
Instructional staff . . . . .	325,845	116,747	442,592
Board of education . . . . .	36,586	-	36,586
Administration . . . . .	945,364	61,970	1,007,334
Fiscal . . . . .	285,044	9,075	294,119
Operations and maintenance . . . . .	1,323,845	4,000	1,327,845
Pupil transportation . . . . .	954,292	-	954,292
Central . . . . .	92,333	48,032	140,365
Operation of non-instructional services:			
Food service operations . . . . .	-	557,989	557,989
Extracurricular activities . . . . .	357,155	135,925	493,080
Debt service:			
Principal retirement . . . . .	25,317	159,107	184,424
Interest and fiscal charges . . . . .	8,607	358,343	366,950
Total expenditures . . . . .	<u>11,844,414</u>	<u>1,899,010</u>	<u>13,743,424</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>77,739</u>	<u>(111,037)</u>	<u>(33,298)</u>
<b>Other financing sources:</b>			
Sale of capital assets . . . . .	469	56	525
Total other financing sources . . . . .	<u>469</u>	<u>56</u>	<u>525</u>
Net change in fund balances . . . . .	78,208	(110,981)	(32,773)
<b>Fund balances at beginning of year . . . . .</b>	<u>807,196</u>	<u>361,398</u>	<u>1,168,594</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 885,404</u>	<u>\$ 250,417</u>	<u>\$ 1,135,821</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE 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, 2008

**Net change in fund balances - total governmental funds** \$ (32,773)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense exceeds capital outlay in the current period accordingly.

Capital asset additions	\$ 164,592	
Current year depreciation	(381,799)	
<b>Total</b>		<b>(217,207)</b>

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (1,982)

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

Delinquent property taxes	(29,608)	
Intergovernmental	(12,220)	
<b>Total</b>		<b>(41,828)</b>

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The decrease in interest reported in the statement of activities is due to the following:

Decrease in accrued interest payable	283	
Accreted interest on "capital appreciation bonds"	(60,317)	
Payment of accreted interest on "capital appreciation bonds"	145,893	
Amortization of bond issuance costs	(6,065)	
Amortization of bond premiums	15,028	
Amortization of deferred charges on refundings	(8,650)	
<b>Total</b>		<b>86,172</b>

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 184,424

Some expenses reported in 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. (36,640)

**Change in net assets of governmental activities** \$ (59,834)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE 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, 2008

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 4,217,833	\$ 4,255,730	\$ 4,250,962	\$ (4,768)
Tuition. . . . .	830,830	838,295	838,295	-
Transportation fees. . . . .	8,444	8,520	8,520	-
Earnings on investments. . . . .	124,108	125,223	126,241	1,018
Classroom materials and fees. . . . .	621	627	627	-
Other local revenues. . . . .	92,930	93,765	93,610	(155)
Intergovernmental - State . . . . .	6,528,147	6,586,802	6,586,258	(544)
Intergovernmental - Federal. . . . .	36,940	37,272	37,272	-
<b>Total revenues. . . . .</b>	<u>11,839,853</u>	<u>11,946,234</u>	<u>11,941,785</u>	<u>(4,449)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,050,363	6,108,393	6,072,950	35,443
Special. . . . .	1,172,403	1,183,647	1,170,573	13,074
Other . . . . .	41	41	41	-
Support services:				
Pupil. . . . .	530,222	535,307	523,658	11,649
Instructional staff . . . . .	371,180	374,740	363,460	11,280
Board of education . . . . .	37,384	37,743	37,105	638
Administration. . . . .	974,926	984,276	960,194	24,082
Fiscal . . . . .	285,878	288,620	284,603	4,017
Operations and maintenance. . . . .	1,430,045	1,443,760	1,411,861	31,899
Pupil transportation . . . . .	1,011,863	1,021,568	999,759	21,809
Central. . . . .	94,692	95,600	92,333	3,267
Extracurricular activities. . . . .	356,113	359,528	356,518	3,010
<b>Total expenditures . . . . .</b>	<u>12,315,110</u>	<u>12,433,223</u>	<u>12,273,055</u>	<u>160,168</u>
Excess of revenues over (under) expenditures. . . . .	<u>(475,257)</u>	<u>(486,989)</u>	<u>(331,270)</u>	<u>155,719</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	44,981	45,385	47,392	2,007
Advances in. . . . .	543	548	548	-
Advances (out). . . . .	(8,419)	(8,500)	(4,425)	4,075
Sale of capital assets. . . . .	465	469	469	-
<b>Total other financing sources (uses) . . . . .</b>	<u>37,570</u>	<u>37,902</u>	<u>43,984</u>	<u>6,082</u>
Net change in fund balance . . . . .	(437,687)	(449,087)	(287,286)	161,801
<b>Fund balance at beginning of year . . . . .</b>	1,923,641	1,923,641	1,923,641	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>256,663</u>	<u>256,663</u>	<u>256,663</u>	<u>-</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,742,617</u>	<u>\$ 1,731,217</u>	<u>\$ 1,893,018</u>	<u>\$ 161,801</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 21,723
Receivables:	
Accounts . . . . .	<u>104</u>
Total assets . . . . .	<u>\$ 21,827</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 687
Due to students. . . . .	<u>21,140</u>
Total liabilities . . . . .	<u>\$ 21,827</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

The James A. Garfield Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District serves an area of approximately fifty-six square miles in Portage County including the Village of Garrettsville and portions of the surrounding townships of Freedom, Nelson, Hiram and Charlestown.

The District ranks as the 344th largest by enrollment among the 896 public and community school districts in the State. The District operates under a locally elected five-member Board form of government and provides educational services as mandated by State and/or Federal agencies. The Board controls the District's four instructional/support facilities staffed by 64 non certificated and 105 certificated full time teaching personnel, including 9 administrators, who provide services to 1,591 students and other community members.

**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" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed 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, food 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; or (2) the District is legally entitled to or can otherwise access to organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the 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:

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The District is associated with the Stark Portage Area Computer Consortium and the Portage County Schools Consortium, which are defined as jointly governed organizations. Jointly governed organizations are governed by representatives from each of the governments that create the organizations, but there is no ongoing financial interest or responsibility by the participating governments. Information regarding these organizations is presented below.

*JOINTLY GOVERNED ORGANIZATIONS*

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a data consortium of 31 school districts. SPARCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39<sup>th</sup> Street NW, Canton, Ohio 44709-2300.

Portage County School Consortium (the "Consortium")

Portage County School Consortium is an insurance group-purchasing consortium made up of fourteen school districts in Columbiana, Portage and Mahoning Counties. All member districts pay an insurance premium directly to the Consortium. The District paid \$1,547,057 in the form of health care premiums to the Consortium for the current fiscal year.

Maplewood Career Center

The Maplewood Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of two representatives from each of the ten participating school districts' elected boards, which possess its own budgeting and taxing authority. The jointly governed organization was formed for the purpose of providing vocational instruction to juniors and seniors in the participating districts. To obtain financial information, write to the Maplewood Career Center, Michelle Seckman, who serves as Treasurer, at 7075 State Route 88, Ravenna, Ohio 44266-9131.

*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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**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. The District has no proprietary funds.

*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 is the District's major governmental fund:

*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.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for the accumulation of resources for, and the repayment, of, long-term debt principal, interest and related costs; and (d) for grants and other resources whose use is restricted to a particular purpose.

*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 has no trust funds. 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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

*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.

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. Measurable means the amount of the transaction can be determined, and 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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise 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, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported in the statement of activities as an expense with a like amount reported within the "operating grants and contributions" program revenue account.

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



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**E. Budgetary Data**

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 for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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. The amounts reported as the original budget revenue in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenue amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008. The amounts reported as the original budgeted expenditure amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted expenditure amounts represent the final appropriation amounts passed by the Board during the year.

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

**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 2008, investments were limited to 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.

The District has invested funds in STAR Ohio during fiscal 2008. 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, 2008.

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PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Under existing Ohio statutes all investment earnings 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 2008 amounted to \$126,241, which includes \$18,652 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, purchased inventories are presented at the lower of cost or market and donated commodities at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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

**H. Capital Assets**

General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$2,000. 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 capitalized. It is the policy of the District to not capitalize interest costs incurred as part of construction.

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	5 years
Buildings	30 - 50 years
Furniture fixtures and equipment	5 - 20 years
Vehicles	5 - 20 years

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**I. Interfund Balances**

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

**J. Compensated Absences**

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the District’s past experience of making termination payments.

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.

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

On government-wide financial statements, issuance costs are deferred 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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

**L. 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, school bus purchases, materials and supplies inventory, prepayments, budget stabilization and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**M. 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. Net assets restricted for other purposes represent amounts restricted for budget stabilization, school bus purchases and an underground storage tank.

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the 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.

**O. Estimates**

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

**P. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount received for budget stabilization and school bus purchases. See Note 17 for details.

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PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**Q. 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.

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2008.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues", and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 13) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**B. Deficit Fund Balances**

Fund balances at June 30, 2008 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 44,651
Title VI-B	25,184
Title I	10,530
Improving teacher quality	7,198
Miscellaneous federal grants	1,005

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 result from 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.

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

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

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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.

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$1,382,534, which is exclusive of STAR Ohio reported as an investment below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,312,837 of the District's bank balance of \$1,517,176 was exposed to custodial risk as discussed below, while \$204,339 was covered by the Federal Deposit Insurance Corporation.

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. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**B. Investments**

As of June 30, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities</u> 6 months or less
STAR Ohio	\$ 1,156,651	\$ 1,156,651
	<u>\$ 1,156,651</u>	<u>\$ 1,156,651</u>

*Interest Rate Risk:* Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. 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:* STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

*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, 2008:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
STAR Ohio	\$ 1,156,651	68.61%
	<u>\$ 1,156,651</u>	<u>68.61%</u>

**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, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 1,382,534
Investments	<u>1,156,651</u>
Total	<u>\$ 2,539,185</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 2,517,462
Agency fund	<u>21,723</u>
Total	<u>\$ 2,539,185</u>



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. Interfund balances at June 30, 2008 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable funds</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 5,574

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2008 are reported on the statement of net assets.

- B. Interfund balances at June 30, 2008 consisted of the following amounts due from and to other funds, as reported in the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 405

The primary purpose of the due from and to other funds is to cover a negative cash balance in the improving teacher quality fund, a nonmajor governmental fund. This negative cash balance is allowable under Ohio Revised Code Section 3315.20. The interfund balance will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

All interfund balances are anticipated to be repaid within one year.

**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 distributions 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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 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.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. 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.

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 2008-2010, 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 Portage 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, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance has been recorded as revenue.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 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 unearned revenue.

The amount available as an advance at June 30, 2008 was \$165,774 in the general fund and \$17,858 in the debt service fund, a nonmajor governmental fund. The amount available as an advance at June 30, 2007, was \$192,199 in the general fund and \$21,234 in the debt service fund, a nonmajor governmental 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.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$161,413,080	94.28	\$163,805,710	95.78
Public utility personal	6,024,995	3.52	4,633,904	2.71
Tangible personal property	<u>3,780,825</u>	<u>2.20</u>	<u>2,583,355</u>	<u>1.51</u>
 Total	 <u>\$171,218,900</u>	 <u>100.00</u>	 <u>\$171,022,969</u>	 <u>100.00</u>
 Tax rate per \$1,000 of assessed valuation	 \$ 69.46		 \$ 69.39	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), 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	\$ 4,795,697
Accounts	714
Intergovernmental	<u>48,744</u>
 Total	 <u>\$ 4,845,155</u>

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	Balance			Balance
	<u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 118,773	\$ -	\$ -	\$ 118,773
Total capital assets, not being depreciated	<u>118,773</u>	<u>-</u>	<u>-</u>	<u>118,773</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	240,774	45,600	-	286,374
Buildings and improvements	10,412,478	5,580	-	10,418,058
Furniture, fixtures and equipment	913,344	18,893	(17,654)	914,583
Vehicles	<u>950,077</u>	<u>94,519</u>	<u>(45,677)</u>	<u>998,919</u>
Total capital assets, being depreciated	<u>12,516,673</u>	<u>164,592</u>	<u>(63,331)</u>	<u>12,617,934</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(240,774)	(8,360)	-	(249,134)
Buildings and improvements	(3,130,306)	(201,407)	-	(3,331,713)
Furniture, fixtures and equipment	(571,386)	(74,020)	15,672	(629,734)
Vehicles	<u>(507,502)</u>	<u>(98,012)</u>	<u>45,677</u>	<u>(559,837)</u>
Total accumulated depreciation	<u>(4,449,968)</u>	<u>(381,799)</u>	<u>61,349</u>	<u>(4,770,418)</u>
Total capital assets being depreciated, net	<u>8,066,705</u>	<u>(217,207)</u>	<u>(1,982)</u>	<u>7,847,516</u>
Governmental activities capital assets, net	<u>\$ 8,185,478</u>	<u>\$ (217,207)</u>	<u>\$ (1,982)</u>	<u>\$ 7,966,289</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 190,165
Special	5,090
<u>Support services:</u>	
Pupil	664
Instructional staff	11,497
Administration	34,332
Fiscal	775
Operations and maintenance	32,750
Pupil transportation	92,855
Extracurricular	3,469
Food service operations	<u>10,202</u>
Total depreciation expense	<u>\$ 381,799</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District entered into capitalized leases for copier equipment. These lease agreements 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 office equipment have been capitalized in the amount of \$145,939. 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, 2008 was \$55,596, leaving a current book value of \$90,343. Principal payments in fiscal year 2008 totaled \$25,317 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, 2008:

<u>Fiscal Year Ending June 30.</u>	<u>Amount</u>
2009	\$ 33,924
2010	33,924
2011	33,924
2012	<u>8,481</u>
Total	110,253
Less: amount representing interest	<u>(13,065)</u>
Present value of minimum lease payments	<u>\$ 97,188</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Balance at</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u>	<u>Amounts</u>
	<u>06/30/07</u>			<u>06/30/08</u>	<u>Due in</u>
					<u>One Year</u>
General obligation bonds	\$ 5,798,166	\$ 60,317	\$ (305,000)	\$ 5,553,483	\$ 265,000
Capital lease obligation	122,505	-	(25,317)	97,188	27,350
Compensated absences	<u>575,871</u>	<u>87,159</u>	<u>(50,519)</u>	<u>612,511</u>	<u>65,360</u>
Total	<u>\$ 6,496,542</u>	<u>\$ 147,476</u>	<u>\$ (380,836)</u>	6,263,182	<u>\$ 357,710</u>
Less: Unamortized deferred charge on refunding				(142,016)	
Add: Unamortized premium on refunding				<u>246,709</u>	
Total on statement of net assets				<u>\$ 6,367,875</u>	

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

Compensated Absences: Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District, is primarily the general fund.

Capital Lease Obligation: The capital lease obligation will be paid from the general fund. See Note 9 for details.

- B.** During fiscal year 1999, the District issued bonds for improvement and construction of classroom facilities in the amount of \$6,899,992. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund, a nonmajor governmental fund.

This issue is comprised of both current interest bonds, par value \$6,740,000, and capital appreciation bonds, par value \$159,992. The interest rates on the current interest bonds range from 3.25% to 5.00%. The remaining capital appreciation bonds, par value \$74,107, matured on December 1, 2007 (effective interest 12.902%) at a redemption price equal to 100% of the principal, plus accrued interest at the redemption date.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year.

The following is a schedule of activity for fiscal 2008 on the 1999 series general obligation bonds:

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
General obligation bonds - series 1999:					
Current interest bonds	\$ 460,000	\$ -	\$ -	\$ 460,000	\$ 225,000
Capital appreciation bonds	74,107	-	(74,107)	-	-
Accreted interest	<u>145,893</u>	<u>-</u>	<u>(145,893)</u>	<u>-</u>	<u>-</u>
Total G.O. bonds - series 1999	<u>\$ 680,000</u>	<u>\$ -</u>	<u>\$ (220,000)</u>	<u>\$ 460,000</u>	<u>\$ 225,000</u>

The following is a summary of the future debt service requirements to maturity for the 1999 series general obligation bonds:

Fiscal Year <u>Ending June 30,</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 225,000	\$ 14,769	\$ 239,769
2010	<u>235,000</u>	<u>4,993</u>	<u>239,993</u>
Total	<u>\$ 460,000</u>	<u>\$ 19,762</u>	<u>\$ 479,762</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

- C. On March 1, 2007, the District issued general obligation bonds (Series 2007 refunding bonds) to advance refund the callable portion of the Series 1999 current interest general obligation bonds (callable principal \$5,105,000). The issuance proceeds of \$5,258,550 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 both current interest bonds, par value \$4,865,000, and capital appreciation bonds, par value \$239,996. The capital appreciation bonds mature December 1, 2010 and December 1, 2011 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$570,000. Total accreted interest of \$73,487 has been included in the statement of activities.

The following is a schedule of activity for fiscal 2008 on the 2007 series refunding bonds:

	Balance Outstanding			Balance Outstanding			Amounts Due in
	<u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/08</u>	<u>One Year</u>		
Refunding bonds - series 2007:							
Current interest bonds	\$ 4,865,000	\$ -	\$ (85,000)	\$ 4,780,000	\$ 40,000		
Capital appreciation bonds	239,996	-	-	239,996	-		
Accreted interest	<u>13,170</u>	<u>60,317</u>	<u>-</u>	<u>73,487</u>	<u>-</u>		
Total refunding bonds - series 2007	<u>\$ 5,118,166</u>	<u>\$ 60,317</u>	<u>\$ (85,000)</u>	<u>\$ 5,093,483</u>	<u>\$ 40,000</u>		

The reacquisition price exceeded the net carrying amount of the old debt by \$153,550. 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.

The following is a summary of the future debt service requirements to maturity for the 2007 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 40,000	\$ 190,400	\$ 230,400	\$ -	\$ -	\$ -
2010	40,000	188,800	228,800	-	-	-
2011	-	188,000	188,000	132,240	152,760	285,000
2012	-	188,000	188,000	107,756	177,244	285,000
2013	285,000	182,300	467,300	-	-	-
2014 - 2018	1,595,000	728,300	2,323,300	-	-	-
2019 - 2023	1,935,000	376,100	2,311,100	-	-	-
2024 - 2026	<u>885,000</u>	<u>35,700</u>	<u>920,700</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 4,780,000</u>	<u>\$ 2,077,600</u>	<u>\$ 6,857,600</u>	<u>\$ 239,996</u>	<u>\$ 330,004</u>	<u>\$ 570,000</u>

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$9,877,870 (including available funds of \$255,390) and an unvoted debt margin of \$167,805.

**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. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for twenty percent of the total sick leave accumulation, up to a maximum accumulation of seventy-five days for both certificated and classified employees. An employee receiving such payment must meet the retirement provisions set by the State Teachers Retirement System of Ohio (STRS Ohio) and the School Employees Retirement System (SERS).

**B. Group Health and Dental Insurance**

Health, life, dental and other group insurance is offered to employees as a fringe benefit. Employer and employee contributions to premium are determined by negotiated agreements with employee labor unions (currently, single and family coverage is 100% Board paid; the employee co-pay for family medical coverage is 20% of the difference between the family medical plan and single medical plan; prescription and dental coverage premiums are 100% Board paid.).

**C. Early Retirement Incentive**

The District offers an early retirement incentive plan for certified and classified employees. This plan will be paid in addition to cash payments for unused sick leave. For an employee to be eligible for the plan, the employee must be eligible for retirement by July 1 of each year. The employee must have ten or more full years of continuous full-time service with the District since the most recent date of employment or reemployment and must be in an active state of employment at the time of retirement.



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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 11 - OTHER EMPLOYEE BENEFITS – (Continued)**

A certified or classified employee who elects not to retire by July 1 of the year in which the employee achieves thirty years of service credit will thereafter be ineligible for the retirement incentive bonus. A certified employee who achieves twenty-five years of service credit at age fifty-five or achieves ten years of service credit at age 60 and elects not to retire will thereafter be ineligible for the retirement incentive bonus. A classified employee who achieves twenty-five years of service credit at age fifty-five or achieves ten years of service credit at age 60 may apply for the retirement incentive bonus at the employees' option.

For certified employees, the amount of the retirement incentive is a one-time payment of \$15,000 to be made by January 31 of the year following retirement. Teachers who become first-time eligible with thirty years of service credit under STRS Ohio during fiscal year 2008 or 2009 shall also receive the \$25,000 retirement incentive bonus if they notified the Board by April 1, 2007 of their intent to retire in fiscal year 2008 or 2009. During fiscal year 2008, two certified employees qualified for the \$25,000 bonus.

For classified employees, the amount of the retirement incentive bonus is a one-time payment equal to one third of the employee's previous year's pay to be made by January 31 of the year following retirement. No classified employees took the retirement incentive bonus during fiscal year 2008.

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District participates in the Portage County School Consortium (the "Consortium"), which is a cooperative entity among 19 educational-service providers formed in 1981 to facilitate effective risk management and to share the cost of providing various insurance coverages and employee benefits. The Health and Welfare Trust is organized under the provisions of Section 501(c) (9) of the Internal Revenue Code. Its purpose is to facilitate the management of risks associated with providing employee benefits coverage such as health insurance, disability insurance and life insurance. A third party administrator is retained by the consortium to facilitate the operation of the Health and Welfare Trust. The District pays all insurance premiums directly to the consortium. The insurance agreement with the Consortium also provides that the Consortium will reinsure through commercial companies for claims over \$175,000 per employee. Although the District does not participate in the day-to-day management of the Consortium, one of its administrators serves as a trustee of the Consortium's governing board, as provided in the Consortium's enabling authority. Although the District recognizes that it retains a contingent liability to provide insurance coverage should the assets of the Consortium become depleted, it is the opinion of management that the assets of the Consortium are sufficient to meet its claims.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. During fiscal year 2008, the District contracted with the following carriers for various insurance coverages, as follows:

<u>Insurance Provider</u>	<u>Coverage</u>	<u>Deductible</u>
Ohio Casualty Insurance	General Liability	\$0
Ohio Casualty Insurance	Automobile	\$250/\$500
Ohio Casualty Insurance	Property Insurance	\$2,500

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 12 - RISK MANAGEMENT – (Continued)**

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

**B. Workers' Compensation Group Rating Plan**

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

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan 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 Plan. 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 Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - 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. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - 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 2008, 9.16 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 by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$153,093, \$168,707 and \$174,907, respectively; 43.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 13 - PENSION PLANS – (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2008, 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$735,969, \$698,488, and \$662,118, respectively; 83.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$13,253 made by the District and \$28,360 made by the plan members.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**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 System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$102,636, \$88,348, and \$60,547, respectively; 43.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$11,031, \$11,472, and \$13,921, respectively; 43.90 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - POSTEMPLOYMENT BENEFITS – (Continued)**

**B. State Teachers Retirement System of Ohio**

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the “Plan”) administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District’s contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$56,613, \$53,730, and \$50,932, respectively; 83.79 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**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 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);
- (d) Advance-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (287,286)
Net adjustment for revenue accruals	(19,632)
Net adjustment for expenditure accruals	134,134
Net adjustment for other sources/uses	(43,515)
Adjustment for encumbrances	<u>294,507</u>
GAAP basis	<u>\$ 78,208</u>

**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.

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**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, 2008, the reserve activity was as follows:

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside balance as of June 30, 2007	\$ (115,573)	\$ -	\$ 50,662
Current year set-aside requirement	243,247	243,247	-
Qualifying disbursements	<u>(285,810)</u>	<u>(630,371)</u>	<u>-</u>
Total	<u>\$ (158,136)</u>	<u>\$ (387,124)</u>	<u>\$ 50,662</u>
Balance carried forward to FY 2009	<u>\$ (158,136)</u>	<u>\$ -</u>	<u>\$ 50,662</u>

In addition to the above statutory reserves, the District has \$22,265 restricted for school bus purchases. A schedule of the governmental fund restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchases	\$ 22,265
Amount restricted for budget stabilization	<u>50,662</u>
Total restricted assets	<u>\$ 72,927</u>

The amounts set-aside may be reduced by offset credits, which are monies received and restricted for the same specific purpose. Although the District had offsets and/or qualifying disbursement during the year that reduced set-aside amounts below zero, these extra amounts may only be used to reduce the set-aside requirements of future years for the purchase of textbooks and/or instructional materials. Negative amounts are therefore not presented as being carried forward to the next fiscal year for the other set-asides. Amounts not spent by year-end or reduced by offset credits must be held in cash at year-end and carried forward to be used for the same purposes in future years.

# **James A. Garfield Local School District**

\* \* \* \*

*Report Letters*

***June 30, 2008***



**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT**

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 3, 2008

To the Board of Education  
James A. Garfield Local School District  
Portage County, Ohio  
10235 SR 88  
Garrettsville, Ohio 44231

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the James A. Garfield Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered James A. Garfield Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

*Rea & Associates, Inc.*



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

*Focused on Your Future.*

December 3, 2008

The Board of Education  
James A. Garfield Local School District  
10235 SR 88  
Garrettsville, Ohio 44231

## **Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133**

### **Compliance**

We have audited the compliance of the James A. Garfield Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2008. James A. Garfield Local School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the James A. Garfield Local School District's management. Our responsibility is to express an opinion on James A. Garfield Local School District's compliance based on our audit.

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

In our opinion, James A. Garfield Local School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. The results of our auditing procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133.

### **Internal Control Over Compliance**

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Schedule of Expenditures of Federal Awards**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of James A. Garfield Local School District as of and for the year ended June 30, 2008, and have issued our report thereon dated December 3, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements of the James A. Garfield Local School District. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

*Rea & Associates, Inc.*

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Program Year	Federal Receipts	Federal Disbursements
<b>U. S. Department of Education (Passed Through Ohio Department of Education):</b>				
Title I	84.010	2007	\$ 9,323	\$ 11,002
Title I	84.010	2008	110,774	106,926
Total Title I			<u>120,097</u>	<u>117,928</u>
<i>Special Education Cluster</i>				
IDEA-B	84.027	2007	49,074	49,350
IDEA-B	84.027	2008	291,391	286,512
Total IDEA-B			<u>340,465</u>	<u>335,862</u>
Preschool Grants	84.173	2007	2,068	2,068
Preschool Grants	84.173	2008	4,399	4,399
Total Preschool Grants			<u>6,467</u>	<u>6,467</u>
<i>Total Special Education Cluster</i>			<u>346,932</u>	<u>342,329</u>
Title IV-A Safe and Drug-Free Schools	84.186	2008	4,425	4,425
Total Safe and Drug-Free Schools and Communities			<u>4,425</u>	<u>4,425</u>
Title V	84.298	2008	2,494	2,164
Total Title V			<u>2,494</u>	<u>2,164</u>
Title II-D	84.318	2008	1,116	972
Total Title II-D			<u>1,116</u>	<u>972</u>
Title II-A	84.367	2007	10,568	11,468
Title II-A	84.367	2008	61,508	61,912
Total Title II-A			<u>72,076</u>	<u>73,380</u>
Total Department of Education			<u>547,140</u>	<u>541,198</u>
<b>U. S. Department of Agriculture (Passed Through Ohio Department of Education):</b>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program (A) (B)	10.555		31,878	31,878
Cash Assistance:				
School Breakfast Program (B)	10.553		23,676	23,676
National School Lunch Program (B)	10.555		147,786	147,786
<i>Cash Assistance Subtotal</i>			<u>171,462</u>	<u>171,462</u>
<i>Total Child Nutrition Cluster</i>			<u>203,340</u>	<u>203,340</u>
Total Department of Agriculture			<u>203,340</u>	<u>203,340</u>
Total Federal Assistance			<u>\$ 750,480</u>	<u>\$ 744,538</u>

(A) Government commodities are reported at entitlement value of the commodities received and disbursed.

(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2008**

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list):	Special Education Cluster #84.027 & 84.173
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted.







Mary Taylor, CPA  
Auditor of State

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 31, 2008