



Dave Yost • Auditor of State

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Garaway Local School District
Tuscarawas County
146 Dover Road, NW
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio, as of June 30, 2011, and the respective changes in financial position thereof and the 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 November 23, 2011, on our consideration of the 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

November 23, 2011

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Garaway 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, 2011. 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 notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$79,113 which represents a 1.67% increase from 2010.
- General revenues accounted for \$9,848,390 in revenue or 77.56% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,849,411 or 22.44% of total revenues of \$12,697,801.
- The District had \$12,618,688 in expenses related to governmental activities; \$2,849,411 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 \$9,848,390 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$10,205,125 in revenues and \$10,400,852 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance decreased \$195,727 from a restated fund balance of \$2,538,646 to a fund balance of \$2,342,919.

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 2011?" 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 takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 fund 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 only 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 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 net assets 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 21-50 of this report.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 10,109,711	\$ 10,179,125
Capital assets, net	2,977,267	3,046,607
Total assets	13,086,978	13,225,732
<u>Liabilities</u>		
Current liabilities	6,531,632	6,623,294
Long-term liabilities	1,731,504	1,857,709
Total liabilities	8,263,136	8,481,003
<u>Net Assets</u>		
Invested in capital assets, net of related debt	2,198,644	2,091,608
Restricted	929,457	753,546
Unrestricted	1,695,741	1,899,575
Total net assets	\$ 4,823,842	\$ 4,744,729

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$4,823,842.

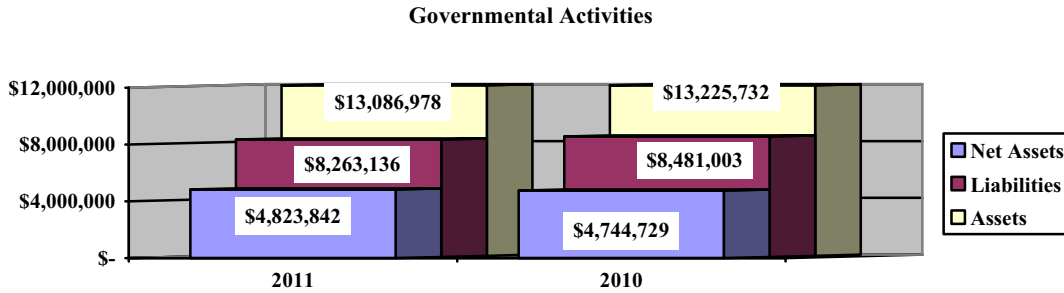
At year-end, capital assets represented 22.75% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$2,198,644. These capital assets 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, \$929,457, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$1,695,741.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below presents the District's assets, liabilities and net assets for fiscal year 2011 and 2010.



The table below shows the change in net assets for fiscal year 2011 and 2010.

	<u>Change in Net Assets</u>	
	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,069,487	\$ 994,413
Operating grants and contributions	1,779,924	1,536,061
General revenues:		
Property taxes	5,372,832	5,398,693
Grants and entitlements	4,438,727	4,495,888
Investment earnings	8,823	8,315
Other	28,008	23,599
Total revenues	<u>12,697,801</u>	<u>12,456,969</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Change in Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,784,861	\$ 5,885,208
Special	1,301,914	1,363,088
Vocational	2,817	15,292
Other	96,120	187,658
Support services:		
Pupil	371,828	377,402
Instructional staff	713,435	754,425
Board of education	15,057	15,961
Administration	1,130,688	1,143,729
Fiscal	374,656	377,110
Operations and maintenance	989,875	955,417
Pupil transportation	892,867	918,253
Central	39,388	39,693
Operations of non-instructional services:		
Food service operations	447,581	431,461
Extracurricular activities	412,255	404,680
Interest and fiscal charges	45,346	52,770
Total expenses	12,618,688	12,922,147
Change in net assets	79,113	(465,178)
Net assets at beginning of year	4,744,729	5,209,907
Net assets at end of year	\$ 4,823,842	\$ 4,744,729

Governmental Activities

Net assets of the District's governmental activities increased \$79,113. Total governmental expenses of \$12,618,688 were offset by program revenues of \$2,849,411 and general revenues of \$9,848,390. Program revenues supported 22.58% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 77.27% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,185,712 or 56.95% of total governmental expenses for fiscal year 2011.

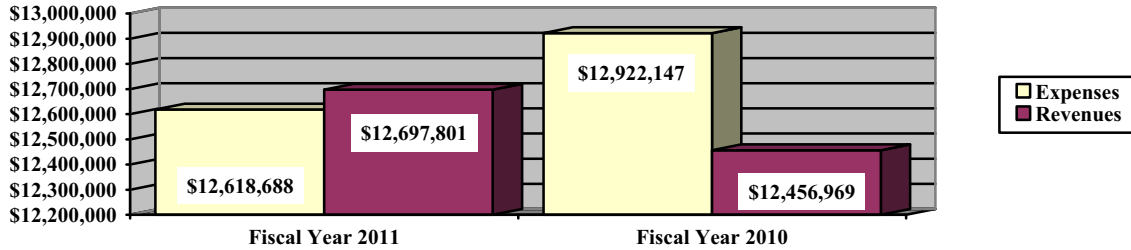
Total expenditures decreased approximately \$300,000 from the prior year while revenues increased approximately \$240,000 primarily due to an increase in program revenues. These changes resulted in an increased fund balance during the fiscal year.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2011 and 2010.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 5,784,861	\$ 4,647,144	\$ 5,885,208	\$ 5,008,601
Special	1,301,914	514,287	1,363,088	690,702
Vocational	2,817	1,357	15,292	13,843
Other	96,120	96,120	187,658	187,658
Support services:				
Pupil	371,828	344,181	377,402	311,634
Instructional staff	713,435	459,362	754,425	471,262
Board of education	15,057	15,057	15,961	15,961
Administration	1,130,688	1,129,216	1,143,729	1,140,509
Fiscal	374,656	374,656	377,110	377,110
Operations and maintenance	989,875	989,747	955,417	943,766
Pupil transportation	892,867	845,323	918,253	844,889
Central	39,388	39,388	39,693	39,693
Operations of non-instructional services:				
Food service operations	447,581	4,926	431,461	4,202
Extracurricular activities	412,255	263,167	404,680	289,073
Interest and fiscal charges	45,346	45,346	52,770	52,770
Total expenses	<u>\$ 12,618,688</u>	<u>\$ 9,769,277</u>	<u>\$ 12,922,147</u>	<u>\$ 10,391,673</u>

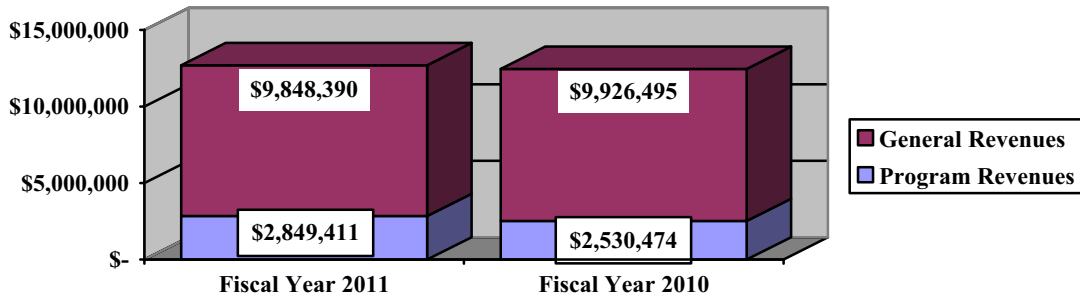
The dependence upon tax and other general revenues for governmental activities is apparent, 73.19% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 77.42%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for the District's students.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue for fiscal year 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$3,030,972, which is lower than last year's total of \$3,148,158. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010. The District restated fund balances as described in Note 3.B.

	Fund Balance June 30, 2011	Restated Fund Balance June 30, 2010	Increase (Decrease)	Percentage Change
General	\$ 2,342,919	\$ 2,538,646	\$ (195,727)	(7.71) %
Other Governmental	688,053	609,512	78,541	12.89 %
Total	\$ 3,030,972	\$ 3,148,158	\$ (117,186)	(0.04) %

General Fund

The District's general fund balance decreased \$195,727. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011 Amount	Restated 2010 Amount	Increase	Percentage Change
Revenues				
Property taxes	\$ 4,943,352	\$ 4,903,818	\$ 39,534	0.81 %
Earnings on investments	8,823	8,315	508	6.11 %
Intergovernmental	4,466,676	4,384,129	82,547	1.88 %
Other revenues	786,274	707,080	79,194	11.20 %
Total	\$ 10,205,125	\$ 10,003,342	\$ 201,783	2.02 %

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
<u>Expenditures</u>				
Instruction	\$ 6,151,454	\$ 6,157,430	\$ (5,976)	(0.10) %
Support services	3,977,155	3,969,949	7,206	0.18 %
Extracurricular activities	<u>262,243</u>	<u>255,506</u>	<u>6,737</u>	2.64 %
 Total	 <u>\$ 10,390,852</u>	 <u>\$ 10,382,885</u>	 <u>\$ 7,967</u>	 0.08 %

Total revenues increased 2.02% from the prior fiscal year. Intergovernmental revenue increased \$82,547 from the prior year due to an increase in cash receipts related to state and federal grants. The increase in other revenues is attributed to an increase in tuition revenue of approximately \$60,000 on a cash-basis. Overall expenditures increased \$7,967 or 0.08% which is deemed immaterial compared to total expenditures and does not warrant further analysis.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,919,824 which was lower than the final budgeted revenues and other financing sources of \$10,111,707. Actual revenues and other financing sources for fiscal year 2011 were \$10,123,334. This represents an \$11,627 increase to the final budgeted revenues.

General fund original appropriations and other financing uses were \$10,462,266 which was lower than the final appropriations and other financing of \$10,498,878. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$10,403,630, which was \$95,248 below the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$2,977,267 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. This entire amount is reported in governmental activities.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The following table shows fiscal year 2011 balances compared to 2010.

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

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 118,386	\$ 118,386
Land improvements	125,439	134,810
Building and improvements	1,896,336	1,974,892
Furniture, fixtures, and equipment	196,514	178,153
Vehicles	<u>640,592</u>	<u>640,366</u>
Total	<u>\$ 2,977,267</u>	<u>\$ 3,046,607</u>

The overall decrease in capital assets of \$69,340 is due to depreciation of \$222,094 exceeding capital outlays of \$161,345 and disposals net of accumulated depreciation of \$8,591 in the fiscal year. See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$615,000 in general obligation bonds and \$167,678 in energy conservation notes outstanding. Of this total, \$184,551 is due within one year and \$598,127 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 615,000	\$ 755,000
Energy conservation notes	<u>167,678</u>	<u>205,240</u>
Total	<u>\$ 782,678</u>	<u>\$ 960,240</u>

At June 30, 2011, the District's overall legal debt margin was \$17,237,327, with an unvoted debt margin of \$192,944. See Note 10 to the basic financial statements for additional information on the District's debt.

Current Financial Related Activities

As the preceding information shows, the District relies heavily upon its property taxpayers. As such, the future is not without challenges. Ohio's HB66 phases out the general personal tangible property tax base. Am. Sub. HB1, signed into law, July 17, 2009, holds school districts harmless for lost local tax revenue through fiscal year 2013.

The State of Ohio faced deficit balances and revenue shortfalls at the time it developed its biennium budget bill, Am. Sub. HB1, for fiscal years 2010 and 2011. As a result, Ohio has used an infusion of federal stimulus money (State Fiscal Stabilization Funds – SFSF) from the American Recovery and Reinvestment Act of 2009 to fund school districts.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The District prepares a five-year financial forecast annually to assist in making sound financial decisions. The forecast includes in its basis \$1,487,300 in annual tax revenue being generated from an emergency levy through fiscal year 2018. The forecast incorporates employment costs resulting from successful negotiations with both staff unions covering three years, as well as costs for professional/technical services, repairs, maintenance, insurance, utilities, classroom furniture and equipment. A deficit unreserved ending fund balance is projected for fiscal year 2013.

Parents and community members strongly believe that their schools, although housed in aging facilities, are one of the highest priorities and one of the most important public institutions in their communities. The Ohio School Facilities Commission (OSFC) annually ranks each school district's priority for state assistance from the OSFC based upon the District's three year average adjusted valuation per pupil (a District's valuation is the total value of all the property in the District as assessed for tax purposes and is modified by a factor reflecting the income of the District's taxpayers). Due to being ranked 455th of 612 school districts in Ohio, the District will not qualify for financial assistance from the Ohio School Facilities Commission for several years. The District has been fortunate to have a one-mill permanent improvement levy designated for the purpose of building maintenance and repair. In May 2010 this levy was renewed by District voters on a continuous basis. During 2010/11 this levy paid for a fire alarm system upgrade at Baltic Elementary, a Middle School gym heating system upgrade, fiber connectivity installation to the High School annex, various roof, flashing and caulking repairs at the High School, and the development of a bus parking and fueling area located at the athletic field.

The District also collects on another one-mill permanent improvement levy. This levy is on a continuing basis for general permanent improvements. The District continues to use levy proceeds for technology and purchasing one or two buses each year.

Receipts from tax collections for bond issues passed by District voters are deposited and held for payment of principal and interest within the Debt Service Fund. Payments are scheduled through 2014 for a school improvement bond issued for the construction of the high school gymnasium and renovation of the high school library in 1990. Annually, \$47,427 in tax revenue is transferred to the Debt Service Fund to cover payments on a 15-year HB264 Energy Conservation note issued in May 2000. The final payment will be made May 2015.

Even with conservative spending strategies, the District is committed to educational excellence. The State of Ohio measures school districts by a defined set of proficiency criteria. The most recent State Report Card shows the District achieving an Excellent rating. The District has received excellent ratings eight out of the past ten years. Along with academic success, the Board of Education believes in the value of a well-rounded education for its students. Within the Board's five-year forecast, expenditures have been established to support a \$10,000 Arts Enrichment Program which promotes activities, presentations, and student field trips emphasizing fine arts. The District's extra-curricular programs are exemplified by High School students performing renditions of "Dickens' Christmas Carol" and "Guys and Dolls", the marching band participating in Memorial Day parades, Middle School students volunteering over 2,000 hours of community service through the GAP program, and elementary students participating in sixth grade Outdoor Education at Camp Piedmont and the Tuscarawas County Young Authors Conference.

It is imperative the District's Board and management team continue to carefully and prudently plan in order to meet future challenges and provide the resources required to meet the students' needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Patricia J. King, Treasurer, Garaway Local School District, 146 Dover Road, NW, Sugarcreek, Ohio 44681-9309.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 4,175,957
Receivables:	
Property taxes	5,632,078
Accounts.	25,118
Accrued interest	289
Intergovernmental	251,568
Materials and supplies inventory.	2,945
Unamortized bond issuance costs	21,756
Capital assets:	
Land	118,386
Depreciable capital assets, net.	2,858,881
Capital assets, net	2,977,267
Total assets.	13,086,978
Liabilities:	
Accounts payable.	52,510
Accrued wages and benefits	1,343,230
Pension obligation payable.	266,649
Intergovernmental payable	35,911
Unearned revenue	4,830,969
Accrued interest payable	2,363
Long-term liabilities:	
Due within one year.	239,251
Due within more than one year.	1,492,253
Total liabilities	8,263,136
Net Assets:	
Invested in capital assets, net of related debt.	2,198,644
Restricted for:	
Capital projects	231,467
Debt service.	496,868
Locally funded programs	2,647
State funded programs.	1,635
Federally funded programs	164,979
Student activities	31,861
Unrestricted	1,695,741
Total net assets	\$ 4,823,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 5,784,861	\$ 642,616	\$ 495,101	\$ (4,647,144)
Special	1,301,914	22,620	765,007	(514,287)
Vocational	2,817	-	1,460	(1,357)
Other	96,120	-	-	(96,120)
Support services:				
Pupil	371,828	-	27,647	(344,181)
Instructional staff	713,435	-	254,073	(459,362)
Board of education	15,057	-	-	(15,057)
Administration	1,130,688	-	1,472	(1,129,216)
Fiscal	374,656	-	-	(374,656)
Operations and maintenance	989,875	128	-	(989,747)
Pupil transportation	892,867	47,508	36	(845,323)
Central	39,388	-	-	(39,388)
Operation of non-instructional services:				
Food service operations	447,581	211,547	231,108	(4,926)
Extracurricular activities	412,255	145,068	4,020	(263,167)
Interest and fiscal charges	45,346	-	-	(45,346)
Totals	\$ 12,618,688	\$ 1,069,487	\$ 1,779,924	(9,769,277)

General Revenues:

Property taxes levied for:	
General purposes	4,962,026
Debt service	209,564
Capital outlay	201,242
Grants and entitlements not restricted to specific programs	4,438,727
Investment earnings	8,823
Miscellaneous	28,008
Total general revenues	9,848,390
Change in net assets	79,113
Net assets at beginning of year	4,744,729
Net assets at end of year	\$ 4,823,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 3,334,389	\$ 841,568	\$ 4,175,957
Receivables:			
Property taxes.	5,205,139	426,939	5,632,078
Accounts	24,905	213	25,118
Accrued interest	289	-	289
Intergovernmental.	1,629	249,939	251,568
Materials and supplies inventory.	-	2,945	2,945
Total assets	<u>\$ 8,566,351</u>	<u>\$ 1,521,604</u>	<u>\$ 10,087,955</u>
Liabilities:			
Accounts payable	\$ 25,179	\$ 27,331	\$ 52,510
Accrued wages and benefits.	1,161,329	181,901	1,343,230
Pension obligation payable	225,356	41,293	266,649
Compensated absences payable.	27,560	-	27,560
Intergovernmental payable	31,384	4,527	35,911
Unearned revenue.	4,464,606	366,363	4,830,969
Deferred revenue	288,018	212,136	500,154
Total liabilities.	<u>6,223,432</u>	<u>833,551</u>	<u>7,056,983</u>
Fund Balances:			
Nonspendable:			
Materials and supplies inventory.	-	2,945	2,945
Unclaimed monies	1,461	-	1,461
Restricted:			
Debt service	-	487,335	487,335
Capital improvements	-	219,766	219,766
Other purposes.	-	4,282	4,282
Extracurricular	-	31,861	31,861
Assigned:			
Student instruction	35,000	-	35,000
Student and staff support	29,662	-	29,662
Subsequent year appropriations	1,070,483	-	1,070,483
Unassigned (deficit)	1,206,313	(58,136)	1,148,177
Total fund balances	<u>2,342,919</u>	<u>688,053</u>	<u>3,030,972</u>
Total liabilities and fund balances	<u>\$ 8,566,351</u>	<u>\$ 1,521,604</u>	<u>\$ 10,087,955</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	3,030,972
<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.			2,977,267
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	311,615	
Intergovernmental receivable		188,539	
		188,539	
Total			500,154
Unamortized deferred charges are not recognized in the funds.			14,560
Unamortized premiums on bond issuance are not recognized in the funds.			(10,505)
Unamortized bond issuance costs are not recognized in the funds.			21,756
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(2,363)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(925,321)	
Energy conservation note		(167,678)	
General obligation bonds		(615,000)	
		(1,707,999)	
Total			(1,707,999)
Net assets of governmental activities		\$	4,823,842

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Property taxes	\$ 4,943,352	\$ 410,445	\$ 5,353,797
Tuition	607,598	-	607,598
Transportation fees	47,508	-	47,508
Earnings on investments	8,823	-	8,823
Charges for services	-	211,241	211,241
Extracurricular	45,955	99,113	145,068
Classroom materials and fees	57,638	-	57,638
Rental income	128	306	434
Contributions and donations	100	4,020	4,120
Other local revenues	27,347	561	27,908
Intergovernmental - state	4,465,047	132,064	4,597,111
Intergovernmental - federal	1,629	1,431,196	1,432,825
Total revenues	<u>10,205,125</u>	<u>2,288,946</u>	<u>12,494,071</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,366,062	366,592	5,732,654
Special	688,146	605,063	1,293,209
Vocational	1,126	-	1,126
Other	96,120	-	96,120
Support services:			
Pupil	338,308	27,279	365,587
Instructional staff	450,046	252,016	702,062
Board of education	15,057	-	15,057
Administration	1,102,320	1,472	1,103,792
Fiscal	377,087	9,276	386,363
Operations and maintenance	857,586	110,376	967,962
Pupil transportation	797,363	92,773	890,136
Central	39,388	-	39,388
Operation of non-instructional services:			
Food service operations	-	441,346	441,346
Extracurricular activities	262,243	97,023	359,266
Facilities acquisition and construction	-	1,299	1,299
Debt service:			
Principal retirement	-	177,562	177,562
Interest and fiscal charges	-	38,328	38,328
Total expenditures	<u>10,390,852</u>	<u>2,220,405</u>	<u>12,611,257</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(185,727)</u>	<u>68,541</u>	<u>(117,186)</u>
Other financing sources (uses):			
Transfers in	-	10,000	10,000
Transfers (out)	<u>(10,000)</u>	<u>-</u>	<u>(10,000)</u>
Total other financing sources (uses)	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	(195,727)	78,541	(117,186)
Fund balances at beginning of year (restated).	<u>2,538,646</u>	<u>609,512</u>	<u>3,148,158</u>
Fund balances at end of year.	<u>\$ 2,342,919</u>	<u>\$ 688,053</u>	<u>\$ 3,030,972</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS 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, 2011

Net change in fund balances - total governmental funds \$ (117,186)

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

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

Capital asset additions	\$	161,345	
Current year depreciation		(222,094)	
Total			(60,749)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (8,591)

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

Taxes		19,035	
Intergovernmental revenue		184,695	
Total			203,730

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:

Decrease in accrued interest payable		536	
Amortization of deferred charges on refundings		(4,261)	
Amortization of bond premium		3,075	
Amortization of bond issuance costs		(6,368)	
Total			(7,018)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 177,562

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. (108,635)

Change in net assets of governmental activities \$ 79,113

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS 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, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 4,968,305	\$ 4,905,535	\$ 4,907,866	\$ 2,331
Tuition	543,500	608,213	607,598	(615)
Transportation fees	23,500	36,814	44,760	7,946
Earnings on investments	5,000	8,831	8,945	114
Classroom materials and fees	56,325	56,325	57,565	1,240
Rental income	300	300	148	(152)
Contributions and donations	500	500	100	(400)
Other local revenues	18,000	21,185	22,844	1,659
Intergovernmental - state	4,300,394	4,470,004	4,465,047	(4,957)
Total revenues	<u>9,915,824</u>	<u>10,107,707</u>	<u>10,114,873</u>	<u>7,166</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,879,785	6,942,934	5,385,463	1,557,471
Special	58,448	78,218	670,188	(591,970)
Vocational	3,377	3,377	1,126	2,251
Other	128,859	93,059	140,412	(47,353)
Support services:				
Pupil	100,519	87,019	290,205	(203,186)
Instructional staff	117,722	117,722	450,937	(333,215)
Board of education	15,878	15,878	15,055	823
Administration	733,875	672,320	1,097,768	(425,448)
Fiscal	345,658	345,658	375,559	(29,901)
Operations and maintenance	1,497,081	1,558,611	863,666	694,945
Pupil transportation	272,415	275,333	801,809	(526,476)
Central	40,388	40,488	39,388	1,100
Extracurricular activities	258,261	258,261	262,054	(3,793)
Total expenditures	<u>10,452,266</u>	<u>10,488,878</u>	<u>10,393,630</u>	<u>95,248</u>
Excess of expenditures over revenues	<u>(536,442)</u>	<u>(381,171)</u>	<u>(278,757)</u>	<u>102,414</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	2,210	2,210
Transfers (out)	(10,000)	(10,000)	(10,000)	-
Sale of capital assets	4,000	4,000	6,251	2,251
Total other financing sources (uses)	<u>(6,000)</u>	<u>(6,000)</u>	<u>(1,539)</u>	<u>4,461</u>
Net change in fund balance	(542,442)	(387,171)	(280,296)	106,875
Fund balance at beginning of year (restated)	3,544,443	3,544,443	3,544,443	-
Prior year encumbrances appropriated	2,914	2,914	2,914	-
Fund balance at end of year	<u>\$ 3,004,915</u>	<u>\$ 3,160,186</u>	<u>\$ 3,267,061</u>	<u>\$ 106,875</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 60,008
Total assets.	<u>\$ 60,008</u>
Liabilities:	
Due to students.	\$ 60,008
Total liabilities	<u>\$ 60,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 409th largest by enrollment among the 918 public school districts and community schools in the State and 6th largest in Tuscarawas County. The District is staffed by 62 non-certified employees, 93 certified full-time teaching personnel and 6 administrative employees who provide services to 1,268 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) guidance issued on or before November 30, 1989, to its governmental activities provided it does 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 and component units. 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 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 the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. 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).

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal 2011, no monies were paid to the Joint Vocational School District from the District.

Ohio Mid-Eastern Regional Education Service Agency (OME-RESA)

OME-RESA is a computer service organization whose primary function is to provide information technology services to its member districts with the major emphasis being placed on accounting, payroll and inventory control services. Other areas of service provided by OME-RESA include pupil scheduling, attendance and grade reporting, career guidance services, special education records, and test scoring.

OME-RESA is one of 23 regional service organizations serving over 600 public districts in the State of Ohio that make up the Ohio Education Computer network (OECN). These service organizations are known as Data Acquisition Sites. The OECN is a collective group of Data Acquisition Sites, authorized pursuant to Section 3301.075 of the Ohio Revised Code, and their member districts. Such sites, in conjunction with the Ohio Department of Education (ODE), comprise a statewide delivery system to provide comprehensive, cost-efficient accounting and other administrative and instructional computer services for participating Ohio districts.

Major funding for this network is derived from the State of Ohio. In addition, a majority of the software utilized by the OME-RESA is developed by the ODE.

OME-RESA is owned and operated by 47 member districts in 11 different Ohio counties. The member districts are comprised of public districts and educational service centers. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors. During fiscal year 2011, the District paid \$26,876 in administrative fees to OME-RESA.

OME-RESA is located at 2023 Sunset Blvd., Steubenville, Ohio 43952. The Jefferson County Educational Service Center is one of OME-RESA's member districts, and acts in the capacity of fiscal agent for OME-RESA.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Tuscarawas County Tax Incentive Review Council

The Tuscarawas County Tax Incentive Review Council (TCTIRC) is a jointly governed organization, created as a regional council of governments pursuant to Section 5705.62 of the Ohio Revised Code. TCTIRC has 44 members, consisting of 3 members appointed by the County Commissioners, 18 members appointed by municipal corporations, 14 members appointed by township trustees, 1 member from the county auditor's office and 8 members appointed by boards of education located within the county. TCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the TCTIRC can make written recommendations to the legislative authority which approved the agreement. There is no cost associated with being a member of this TCTIRC. The continued existence of the TCTIRC is not dependent on the District's continued participation and no measurable equity interest exists.

The District does not retain an ongoing financial interest or an ongoing financial responsibility with any of these organizations.

PUBLIC ENTITY RISK POOLS

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 Group Rating Plan (the "Plan") was established as a group purchasing pool.

CompManagement, Inc. is the third party administrator of this plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

East Ohio Schools Employees Insurance Consortium

The East Ohio Schools Employees Insurance Consortium (the "Consortium") is an insurance pool between the District, Dover City School District and Buckeye Joint Vocational School District that was formed on October 1, 2002. The Consortium was established in order to act as a common risk management and insurance program. The Consortium's Board of Directors is comprised of one member from each of the districts (the Superintendent or designee). On August 4, 2010 the Consortium's Board of Directors unanimously voted to terminate and permanently cease making contributions to the Consortium thereby dissolving the Consortium effective October 1, 2010. All remaining reserves are pro-rated to each school district for the payment of appropriate run-out claims. Refer to Note 11.C. for further information on the Consortium. During fiscal year 2011, the District paid \$33,622 in administrative fees to Klais and Company, the District's third party administrator.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

Ohio Mid-Eastern Regional Educational Services Agency (OME-RESA) Health Benefits Program

The East Ohio Schools Employees Insurance Consortium joined the OME-RESA Health Benefits Program (the "Program") effective December 1, 2005. Upon the dissolution of the Consortium, Garaway Local joined the Program as an individual school district member effective October 1, 2010. The Program is a council of governments of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The Program's business affairs are conducted by a Board of Directors elected from member organizations and composed of one representative from each county served and a career center representative. Each member organization pays a monthly premium based on its claims history and a monthly administration fee.

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 does not have any 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 and report all financial resources not accounted for and reported 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 that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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 does not have any 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, 2011, but which were levied to finance fiscal year 2012 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, 2011 are recorded as deferred revenue on the governmental fund financial statements.

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 statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2011 is as follows:

1. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates of estimated resources issued for fiscal year 2011.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2011. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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 2011, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2011. 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 shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$8,823, which includes \$1,791 assigned from other 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 are presented 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

H. Capital Assets

General capital assets are those assets 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. The District maintains a capitalization threshold of \$25,000 for land improvements and building improvements and \$1,500 for furniture, fixtures and equipment and vehicles. Donated capital assets are recorded at their fair market values as of the date received. 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. The District does not possess infrastructure.

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>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	10 - 50 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	5 - 15 years

I. Unamortized Bond Issuance Cost/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. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximated the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of 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, bond 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans receivables/payables at June 30, 2011.

K. Compensated Absences

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

The District follows the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time earned for all eligible employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. The liability is an estimate based on the District’s past experience of making termination payments. An accrual for sick leave is made to the extent that it is probable that the benefits will result in termination payments.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related 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.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

M. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

N. Net Assets

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

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

O. 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. 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.

Q. 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. During fiscal year 2011, the District did not incur any transactions that would be classified as an extraordinary item or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Nonmajor Governmental	Total Governmental
Fund balance as previously reported	\$ 2,516,662	\$ 631,496	\$ 3,148,158
Fund reclassifications:			
Public school support fund	21,984	(21,984)	-
Total fund reclassifications	21,984	(21,984)	-
Restated fund balance at July 1, 2010	\$ 2,538,646	\$ 609,512	\$ 3,148,158

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 3,546,157
Funds budgeted elsewhere	(1,714)
Restated balance at July 1, 2010	\$ 3,544,443

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Food service	\$ 22,316
IDEA-Part B	13,266
Title I - disadvantaged children	16,920
Improving teacher quality	2,689

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

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 monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

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

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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.

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 company surety bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$3,500,774. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$1,953,591 of the District's bank balance of \$3,643,718 was exposed to custodial risk as discussed below, while \$1,690,127 was covered by the FDIC.

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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of June 30, 2011, 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	\$ 735,191	\$ 735,191
Total	<u>\$ 735,191</u>	<u>\$ 735,191</u>

Credit Risk: The District's investments in STAR Ohio were rated AAAM money market rating by Standard and Poor's.

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, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% Total</u>
STAR Ohio	\$ 735,191	100.00
Total	<u>\$ 735,191</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 3,500,774
Investments	<u>735,191</u>
Total	<u>\$ 4,235,965</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,175,957
Agency funds	<u>60,008</u>
Total	<u>\$ 4,235,965</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to nonmajor governmental fund	\$ 10,000

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Coshocton, Holmes and Tuscarawas Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$452,515 in the general fund, \$18,580 in the bond retirement debt service fund (a nonmajor governmental fund) and \$18,399 in the permanent improvement capital projects fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$417,029 in the general fund, \$19,431 in the bond retirement debt service fund (a nonmajor governmental fund) and \$16,527 in the permanent improve capital projects fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 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.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 187,426,600	97.21	\$ 186,775,830	96.72
Public utility personal	5,047,040	2.62	6,168,520	3.19
Tangible personal property	<u>340,440</u>	<u>0.17</u>	<u>168,740</u>	<u>0.09</u>
Total	<u>\$ 192,814,080</u>	<u>100.00</u>	<u>\$ 193,113,090</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation		\$51.90		\$51.70

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 7 - RECEIVABLES - (Continued)

A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 5,632,078
Accounts	25,118
Accrued interest	289
Intergovernmental	<u>251,568</u>
Total	<u>\$ 5,909,053</u>

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

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Governmental Activities	<u>Balance 06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/11</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 118,386	\$ -	\$ -	\$ 118,386
Total capital assets, not being depreciated	<u>118,386</u>	<u>-</u>	<u>-</u>	<u>118,386</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	220,815	-	-	220,815
Buildings and improvements	4,873,781	26,960	-	4,900,741
Furniture, fixtures and equipment	729,440	57,177	(54,927)	731,690
Vehicles	<u>1,050,552</u>	<u>77,208</u>	<u>(50,910)</u>	<u>1,076,850</u>
Total capital assets, being depreciated	<u>6,874,588</u>	<u>161,345</u>	<u>(105,837)</u>	<u>6,930,096</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(86,005)	(9,371)	-	(95,376)
Buildings and improvements	(2,898,889)	(105,516)	-	(3,004,405)
Furniture, fixtures and equipment	(551,287)	(38,710)	54,821	(535,176)
Vehicles	<u>(410,186)</u>	<u>(68,497)</u>	<u>42,425</u>	<u>(436,258)</u>
Total accumulated depreciation	<u>(3,946,367)</u>	<u>(222,094)</u>	<u>97,246</u>	<u>(4,071,215)</u>
Governmental activities capital assets, net	<u>\$ 3,046,607</u>	<u>\$ (60,749)</u>	<u>\$ (8,591)</u>	<u>\$ 2,977,267</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 59,304
Special	8,369
Vocational	1,366
 <u>Support Services:</u>	
Pupil	1,126
Instructional staff	5,912
Administration	5,097
Fiscal	872
Operations and maintenance	12,203
Pupil transportation	68,497
Extracurricular	57,051
Food service operations	<u>2,297</u>
 Total depreciation expense	 <u>\$ 222,094</u>

NOTE 9 – OPERATING LEASES – LESSEE DISCLOSURE

The District has entered into an operating lease agreement for copier equipment which expires during 2014. Equipment operating lease expense totaled \$52,674 in 2011. The agreement is non-cancelable and provides for minimum, annual leases as follows:

<u>Year Ended</u>	<u>Annual Amount</u>
2012	\$ 50,508
2013	50,508
2014	<u>25,254</u>
 Total	 <u>\$ 126,270</u>

Effective December 31, 2000, the District signed a twelve year operating lease agreement for the use of land from the Belden Brock Company. The lease expires December 31, 2012 though the District or Belden Brick can terminate the lease by giving notice, in writing, at least one year in advance. The lease expense was \$200 in 2011.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>06/30/10</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/11</u>	Amounts Due in <u>One Year</u>
Governmental activities:					
G.O. Refunding Bonds - Series 2005	\$ 755,000	\$ -	\$ (140,000)	\$ 615,000	\$ 145,000
Energy conservation note	205,240	-	(37,562)	167,678	39,551
Compensated absences	<u>902,710</u>	<u>189,410</u>	<u>(139,239)</u>	<u>952,881</u>	<u>54,700</u>
Total	<u>\$ 1,862,950</u>	<u>\$ 189,410</u>	<u>\$ (316,801)</u>	1,735,559	<u>\$ 239,251</u>
Less: deferred charge on refunding				(14,560)	
Add: unamortized premium				<u>10,505</u>	
Total on statement of net assets				<u>\$ 1,731,504</u>	

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, food service fund (a nonmajor governmental fund), the Title I fund (a nonmajor governmental fund) and the Title VI-B fund (a nonmajor governmental fund).

- B. *General Obligation Bonds* - In fiscal year 1990, the District issued voted general obligation bonds (Series 1990 School Improvement Bonds) for the purpose of constructing a high school building. The bonds were issued with an interest rate ranging from 6.00% to 7.20% for a twenty-four year period with final maturity at December 1, 2014. These bonds were refunded during fiscal year 2006.

On September 13, 2005 the District issued general obligation bonds (Series 2005 Refunding Bonds) to advance refund the Series 1990 General Obligation Bonds (principal \$1,375,000). The issuance proceeds of \$1,375,000 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of current interest bonds, par value \$1,375,000. Payments of principal and interest relating to the refunding bonds are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

The reacquisition price exceeded the net carrying amount of the old debt by \$39,063. 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.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2005 Series Refunding Bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 145,000	\$ 22,937	\$ 167,937
2013	150,000	17,037	167,037
2014	155,000	10,938	165,938
2015	<u>165,000</u>	<u>3,919</u>	<u>168,919</u>
Total	<u>\$ 615,000</u>	<u>\$ 54,831</u>	<u>\$ 669,831</u>

- C. *Energy Conservation Note* - On June 8, 2000, the District issued a \$491,501 energy conservation note in accordance with Section 3313.372, Ohio Revised Code, and House Bill 264. This note bears an interest rate of 5.25% and matures on May 8, 2015. The primary source of repayment of this note is through energy savings as a result of the improvements. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund (a nonmajor governmental fund).

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation note:

<u>Year Ending June 30</u>	<u>Principal on Note</u>	<u>Interest on Note</u>	<u>Total</u>
2012	\$ 39,551	\$ 7,876	\$ 47,427
2013	41,698	5,729	47,427
2014	43,942	3,484	47,426
2015	<u>42,487</u>	<u>1,118</u>	<u>43,605</u>
Total	<u>\$ 167,678</u>	<u>\$ 18,207</u>	<u>\$ 185,885</u>

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 use 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, 2011, are a voted debt margin of \$17,237,327 (including available funds of \$487,335) and an unvoted debt margin of \$192,944.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 228 days for certified employees and 215 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 57 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 53 days.

B. Life Insurance

The District provides life insurance and accidental death and dismemberment insurance to employees through the Metropolitan Life Insurance Company, New York of \$15,000 and \$7,500 for full-time and part-time certified employees, respectively, of \$18,000 and \$9,000 for full-time and part-time classified employees, respectively, and \$50,000 for the Superintendent and Treasurer.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted with Indiana Insurance Company for property and fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$36,706,282
Inland Marine Coverage (\$250 deductible)	335,722
Boiler and Machinery (\$1,000 deductible)	36,706,282
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

Professional liability is protected by the Ohio School Plan with a \$1,000,000 single occurrence limit, a \$3,000,000 aggregate limit, and no deductible. The Travelers Casualty and Surety Company of America maintains \$20,000 public official bonds for the Board President, Board Vice-President, Superintendent, Assistant Treasurers, and Athletic Director. The Travelers Casualty and Surety Company of America also maintains a \$25,000 bond for the Treasurer. In addition, the Indiana Insurance Company provides an \$8,000 public blanket bond for other employees.

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Workers' Compensation

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

C. Employee Group Life, Medical, Dental, and Vision Insurance

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local school districts. Effective October 1, 2010 the Consortium was formally dissolved, and each of the three school districts joined the OME-RESA Health Benefits Program as individual school district members. For certified employees, the District provides hospital and surgical coverage which is 100% in-network and 90% out-of-network paid of reasonable and customary charges. For classified employees, hospital coverage is provided at 90% in-network and 80% out-of-network paid of reasonable and customary charges. Surgical coverage is at 100% in-network and 90% out-of-network. For all employees, major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$250 per person and \$500 per family in-network and \$750 per person and \$1,000 per family out-of-network out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, performs administrative services and reviews all claims. The District paid \$33,622 in administrative fees to Klais & Company, Inc. The OME-RESA Health Benefits Program purchases stop-loss coverage of \$400,000 per individual from Sun Life. There is an internal pool from \$35,000 to \$365,000 for stop-loss coverage. The District pays ninety-five percent of the premium for full-time and fifty percent of the premium for part-time employees for single or family coverage. The District also provides dental and vision coverage. The premiums are paid by the District at a rate of ninety percent for full-time employees and fifty percent for part-time employees. The premium is paid by the fund that paid the salary for the employee. The employee share of the group health insurance premium is covered by an Internal Revenue Code Section 125 plan on a mandatory basis.

Total required monthly premiums for coverage are as follows:

	Family	Individual
Medical/Surgical	\$1,276.77	\$ 510.70
Dental	71.49	28.61
Vision	10.97	4.39

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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, disability, survivor 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, under "*Media/Financial Reports*".

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 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$177,028, \$185,084 and \$122,266, respectively; 55.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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 website at www.strsoh.org, under "*Publications*".

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.

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 13 - PENSION PLANS - (Continued)

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member 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 2011, 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, 2011, 2010 and 2009 were \$656,494, \$640,692 and \$602,956, respectively; 83.15 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$29,278 made by the District and \$20,913 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 but could be as high as \$369.10 per month depending on their income and SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

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 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$48,648, \$32,360 and \$82,289, respectively; 55.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$11,392, \$11,007 and \$10,088, respectively; 55.93 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, under "Publications" 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 2011, 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, 2011, 2010 and 2009 were \$50,500, \$49,284 and \$46,381, respectively; 83.15 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**GARAWAY LOCAL SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (280,296)
Net adjustment for revenue accruals	43,781
Net adjustment for expenditure accruals	4,489
Net adjustment for other sources/uses	(8,461)
Funds budgeted elsewhere	(1,280)
Adjustment for encumbrances	46,040
GAAP basis	\$ (195,727)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the public school fund and the unclaimed monies fund.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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 involved in no material litigation as either plaintiff or defendant.

NOTE 17 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	187,170	187,170
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(309,666)	(73,057)
Excess qualified expenditures from prior years	(785,259)	-
Current year offsets	(50,342)	(170,471)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (958,097)</u>	<u>\$ (56,358)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

**GARAWAY LOCAL SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 17 - SET-ASIDES - (Continued)

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to the future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 43,705
Nonmajor governmental funds	<u>3,174</u>
Total	<u>\$ 46,879</u>

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	Pass Through Grantor Number	FEDERAL CFDA NUMBER	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	C1-S1 2010	84.010	\$43,481		\$80,999	
Title I Grants to Local Educational Agencies	C1-S1 2011	84.010	295,134		269,533	
ARRA - Title I Grants to Local Educational Agencies	C1-S1 2011	84.389	184,500		170,273	
Total Title I, Part A Cluster			<u>523,115</u>		<u>520,805</u>	
Special Education Cluster (IDEA):						
Special Education Grants to States	6B-SF 2010	84.027	26,350		49,419	
Special Education Grants to States	6B-SF 2011	84.027	262,988		239,938	
ARRA - Special Education Grants to States	6B-SF 2010	84.391	11,600		30,004	
ARRA - Special Education Grants to States	6B-SF 2011	84.391	63,342		58,974	
Total Special Education Cluster (IDEA):			<u>364,280</u>		<u>378,335</u>	
ARRA - State Fiscal Stabilization Fund - Education State Grants	N/A	84.394	238,854		238,854	
Education Technology State Grants	TJ-S1-2011	84.318	1,469		1,469	
Improving Teacher Quality State Grants Program:						
Improving Teacher Quality State Grants	TR-S1-2010	84.367	8,783		15,995	
Improving Teacher Quality State Grants	TR-S1-2011	84.367	70,683		65,187	
Total Improving Teacher Quality State Grants			<u>79,466</u>		<u>81,182</u>	
Total U.S. Department of Education			<u>1,207,184</u>		<u>1,220,645</u>	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Program):						
National School Lunch Program	N/A	10.555		\$26,842		\$26,842
Cash Assistance:						
National School Breakfast Program	N/A	10.553	31,600		31,600	
National School Lunch Program	N/A	10.555	168,619		168,619	
Total U.S. Department of Agriculture			200,219	26,842	200,219	26,842
Total			<u>\$1,407,403</u>	<u>\$26,842</u>	<u>\$1,420,864</u>	<u>\$26,842</u>

See Accompanying Notes to the Federal Awards Receipts and Expenditures Schedule.

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports Garaway Local School District (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective programs that benefitted from the use of those donated food commodities.

NOTE D - TRANSFERS BETWEEN PROGRAM YEARS

Federal regulations require schools to obligate certain federal awards by June 30. However, with ODE's consent, schools can transfer unobligated amounts to the subsequent fiscal year's program. The District transferred the following amounts from 2010 to 2011 programs:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Transferred from 2010 to 2011</u>
ARRA - Title I Grants to Local Educational Agencies	84.389	\$615
ARRA - Special Education - Grants to States	84.391	50
Special Education – Grants to States	84.027	50



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

Garaway Local School District
Tuscarawas County
146 Dover Road, NW
Sugarcreek, Ohio 44681

To the Board of Education:

We have audited the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated November 23, 2011.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

November 23, 2011



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

Garaway Local School District
Tuscarawas County
146 Dover Road, NW
Sugarcreek, Ohio 44681

To the Board of Education:

Compliance

We have audited the compliance of the Garaway Local School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Garaway Local School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Garaway Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of 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 over compliance that might be deficiencies, 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.

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



Dave Yost
Auditor of State

November 23, 2011

**GARAWAY LOCAL SCHOOL DISTRICT
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster (includes ARRA) – CFDA #84.027 and #84.391 Title I Cluster (includes ARRA) – CFDA #84.010, #84.389
(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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURE

Garaway Local School District
Tuscarawas County
146 Dover Road, NW
Sugarcreek, Ohio 44681

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether the Garaway Local School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board did not amend its anti-harassment policy to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

November 23, 2011

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GARAWAY LOCAL SCHOOL DISTRICT

TUSCARAWAS 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 22, 2011**