



Dave Yost • Auditor of State



**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types For the Fiscal Year Ended June 30, 2011 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Fund Types For the Fiscal Year Ended June 30, 2011 .....	4
Notes to the Financial Statements .....	5
Schedule of Federal Awards Receipts and Expenditures .....	25
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	26
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	27
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 .....	29
Schedule of Findings and Questioned Costs .....	31
Corrective Action Plan .....	39
Independent Accountants' Report on Applying Agreed Upon Procedures.....	41

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Genoa Area Local School District  
Ottawa County  
2810 North Genoa-Clay Center Road  
Genoa, Ohio 43430-9730

To the Board of Education:

We have audited the accompanying financial statements of Genoa Area Local School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, and results of operations, and cash flows, where applicable, of the District as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.

As described in Note 4, for the year ended June 30, 2011, the District ceased reporting using generally accepted accounting principles and reported in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles, which is similar to the cash receipts and disbursements basis of accounting. As also described in Note 4, the District implemented Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. The schedule of federal awards receipts and expenditures 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 financial statements. The schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the 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 financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the schedule of federal awards receipts and expenditures.



**Dave Yost**  
Auditor of State

August 10, 2012

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Debt Service		Capital Projects
<b>Cash receipts:</b>					
Property tax and other local taxes	\$3,710,398	\$74,068	\$580,825	\$259,377	\$4,624,668
Intergovernmental	6,401,163	1,755,231	89,225	2,248,200	10,493,819
Interest	20,255			27,511	47,766
Tuition and Fees	631,780	4,820			636,600
Rent					
Extracurricular Activities	176,888	264,031			440,919
Gifts and Donations	79,236	780		14,336	94,352
Customer Sales and Services					
Miscellaneous	11,527	9,225			20,752
Total cash receipts	<u>11,031,247</u>	<u>2,108,155</u>	<u>670,050</u>	<u>2,549,424</u>	<u>16,358,876</u>
<b>Cash disbursements:</b>					
Instruction:					
Regular	6,459,878	822,646			7,282,524
Special	639,152	536,663			1,175,815
Other	(198)				(198)
Supporting Services:					
Pupils	325,123	32,510			357,633
Instructional Staff	91,094	12,137			103,231
Board of Education	11,057				11,057
Administration	820,447	69,863			890,310
Fiscal Services	333,309	10,505		5,713	349,527
Business	20,101				20,101
Operation and Maintenance of Plant	817,874	76,585		116,135	1,010,594
Pupil Transportation	428,044	88,811			516,855
Central	309,352	75,046			384,398
Non-Instructional Services	1,005	3,983			4,988
Extracurricular Activities	220,978	258,693			479,671
Facilities Acquisition and Construction				11,233,908	11,233,908
Debt Service:					
Principal Retirement	47,101		225,000	200,052	472,153
Interest and Fiscal Charges	3,465		342,270	49,866	395,601
Auditor Fees			12,516		12,516
Total cash disbursements	<u>10,527,782</u>	<u>1,987,442</u>	<u>579,786</u>	<u>11,605,674</u>	<u>24,700,684</u>
Total cash receipts over/(under) cash disbursements	503,465	120,713	90,264	(9,056,250)	(8,341,808)
<b>Other financing receipts/disbursements:</b>					
Transfers in		86,208			86,208
Transfers (out)	(86,208)				(86,208)
Advances in	221,054	4,887			225,941
Advances (out)	(4,887)	(221,054)			(225,941)
Reduction of prior year expenditure	596				596
Total other financing receipts (disbursements)	<u>130,555</u>	<u>(129,959)</u>			<u>596</u>
Net change in fund cash balances	634,020	(9,246)	90,264	(9,056,250)	(8,341,212)
Restated Fund cash balances, July 1	<u>1,225,520</u>	<u>298,622</u>	<u>1,384,260</u>	<u>13,445,306</u>	<u>16,353,708</u>
<b>Fund cash balances, June 30</b>					
Nonspendable					
Restricted		289,376	1,474,524	4,389,056	6,152,956
Committed	420,290				420,290
Assigned	55,002				55,002
Unassigned	1,384,248				1,384,248
Fund cash balances, June 30	<u>\$ 1,859,540</u>	<u>\$ 289,376</u>	<u>\$ 1,474,524</u>	<u>\$ 4,389,056</u>	<u>\$ 8,012,496</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
<b>Operating cash receipts:</b>			
Food Service	\$ 343,098		\$ 343,098
Extracurricular Activities		\$45,871	45,871
Miscellaneous		1,492	1,492
	<u>343,098</u>	<u>47,363</u>	<u>390,461</u>
<b>Operating cash disbursements:</b>			
Personal Services	181,233		181,233
Employees Retirement and Insurance	118,479		118,479
Purchased Services	12,590		12,590
Supplies and Materials	236,496	55,866	292,362
Capital Outlay	231		231
	<u>549,029</u>	<u>55,866</u>	<u>604,895</u>
Operating Loss	<u>(205,931)</u>	<u>(8,503)</u>	<u>(214,434)</u>
<b>Non-operating cash receipts:</b>			
Intergovernmental receipts	198,880		198,880
Earnings on Investments	14		14
	<u>198,894</u>		<u>198,894</u>
Net change in fund cash balances	(7,037)	(8,503)	(15,540)
Restated Fund cash balances, July 1	<u>24,632</u>	<u>37,536</u>	<u>62,168</u>
Fund cash balances, June 30	<u><u>\$17,595</u></u>	<u><u>\$29,033</u></u>	<u><u>\$46,628</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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

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

The Genoa Area Local School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

The District is the 341st largest in the State of Ohio among 1,016 public and community school districts in Ohio. It is staffed by 50 non-certified employees and 85 certified full-time teaching personnel who provide services to 1,544 students and other community members. The District currently operates 3 instructional buildings, 1 administrative building, 1 athletic complex and 1 bus garage.

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

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

**A. The 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 government’s financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The financial statements of the reporting entity include only those of the District (the primary government).

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

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

*JOINTLY GOVERNED ORGANIZATIONS*

*Northern Ohio Educational Computer Association*

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

*Penta County Career Centers*

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District. Financial information is available from Carrie Herringshaw, Treasurer, 9301 Buck Road, Perrysburg, Ohio 43551.

*INSURANCE PURCHASING POOLS*

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

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

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

*The San-Ott School Employees Welfare Benefit Association*

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, J. William Nye, Treasurer of Genoa Area Local School District, at 2810 North Genoa-Clay Center Road, Genoa, Ohio 43430-9730.

**B. Fund Accounting**

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

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

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

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

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

Capital Projects Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

PROPRIETARY FUND TYPE

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Funds – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's only fiduciary funds are agency funds. Agency funds are custodial in nature, the District's agency funds account for student activities.

**C. Basis of Accounting**

The District's financial statements are prepared using the regulatory basis of accounting. Receipts are recorded in the District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

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

As a result of the use of this regulatory basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on cash disbursements plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the fund level are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in receipts are identified by the Treasurer.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled and invested. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During fiscal year 2011, the District invested in nonnegotiable certificates of deposits and STAR Ohio. Investments are reported at cost, except for STAR Ohio.

STAR Ohio is an investment pool, management 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 2(a)7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2011.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts credited to the General Fund during fiscal year 2011 totaled \$20,255, which includes \$14,431 assigned from other funds.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The District reported no restricted assets.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

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

**G. 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 are 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.

**H. Inventory and Prepaid Items**

The District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

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

**I. Capital Assets**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets.

**J. Interfund Receivables/Payables**

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities.

**K. Accumulated Leave**

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the District's cash basis of accounting.

**L. Employer Contributions to Cost-Sharing Pension Plans**

The District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**M. Long-Term Obligations**

The District's cash basis does not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor capital outlay expenditure is reported at inception. Lease payments are reported when paid.

**N. Interfund Transactions**

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

**O. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 3 – COMPLIANCE**

Ohio Administrative Code, Section 117-2-03 (B), requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the District prepared its financial statements on the regulatory basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

**NOTE 4 – RESTATEMENT OF FUND BALANCE**

**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.

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**

During 2011, the District changed from a generally accepted basis of accounting to the cash basis of accounting (see Note 2.A). The fund balances for June 30, 2010 have been restated to account for the change in accounting principle, which effectively eliminated balance sheet accruals. In addition, fund reclassifications were required in order to report funds in accordance with GASB Statement No. 54.

The transition from the modified accrual basis of accounting to the cash basis of accounting and fund reclassifications to report funds in accordance with GASB Statement No. 54 had the following effect on governmental fund balances at June 30, 2010:

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 4 – RESTATEMENT OF FUND BALANCE (Continued)**

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds	Enterprise Funds	Agency Funds
Fund Balance - June 30, 2010	\$860,500	\$1,437,325	\$11,643,099	\$1,884,756	\$15,825,680	\$75,859	\$37,536
Change in Reporting Basis Adjustments	342,461	(53,065)	27,861	210,771	528,028	(51,227)	
GASB 54 Fund Reclassification	22,559			(22,559)	-		
<b>Restated Fund Balance - June 30, 2010</b>	<b>\$ 1,225,520</b>	<b>\$ 1,384,260</b>	<b>\$ 11,670,960</b>	<b>\$ 2,072,968</b>	<b>\$ 16,353,708</b>	<b>\$ 24,632</b>	<b>\$ 37,536</b>
	Total Governmental Funds	General	Special Revenue	Debt Service	Capital Projects		
Restated Fund Balance - June 30, 2010	\$16,353,708						
Fund Type Reclassifications		\$ 1,225,520	\$ 298,622	\$ 1,384,260	\$ 13,445,306		
Restated Fund Balance - June 30, 2010	\$ 16,353,708	\$ 1,225,520	\$ 298,622	\$ 1,384,260	\$ 13,445,306		

**NOTE 5 - DEPOSITS AND INVESTMENTS**

Monies held by the District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the District treasury. Active 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 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 bills, bonds, notes, 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 obligation or security 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;

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 5 - DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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.

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At June 30, 2011, \$7,140,873 of the District's bank balance of \$8,439,197 was exposed to custodial credit risk because it was uninsured and collateralized with pooled securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 6 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending June 30, 2011 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$11,147,000	\$11,252,897	\$105,897
Special Revenue	2,002,888	2,199,250	196,362
Debt Service	498,000	670,050	172,050
Capital Projects	2,325,500	2,549,424	223,924
Enterprise	675,000	541,992	(133,008)
Total	\$16,648,388	\$17,213,613	\$565,225

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,507,757	\$10,638,156	\$869,601
Special Revenue	2,363,574	2,251,019	112,555
Debt Service	584,786	579,786	5,000
Capital Projects	11,987,642	11,706,210	281,432
Enterprise	614,029	549,029	65,000
Total	\$27,057,788	\$25,724,200	\$1,333,588

**NOTE 7 – PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax receipts 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 receipts 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 calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies, respectively. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 7 – PROPERTY TAXES (Continued)**

personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Ottawa County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

	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	\$ 166,023,400	97.35	\$ 165,777,880	97.30
Public utility personal	4,338,530	2.54	4,670,080	2.70
Tangible personal property	<u>172,910</u>	<u>0.11</u>	<u>                    </u>	<u>                    </u>
<b>Total</b>	<b><u>\$ 170,534,840</u></b>	<b><u>100.00</u></b>	<b><u>\$ 170,447,960</u></b>	<b><u>100.00</u></b>
 Tax rate per \$1,000 of assessed valuation	 \$68.40		 \$68.40	

**NOTE 8 - RISK MANAGEMENT**

**A. Property and Liability**

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

**B. Employee Group Health Insurance**

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 8 - RISK MANAGEMENT (Continued)**

A third party advisor, Corporate One Benefits Agency, Inc. and Medical Mutual of Ohio headquartered in Toledo, Ohio, reviews all claims which are then paid by the Pool. As of June 30, 2011, the Pool has cash reserves (reserve account balance) of \$1,755,000, which, in the opinion of San-Ott Consortium management, is adequate for any claims against the Pool.

During the fiscal year, the District paid approximately \$1,004,000 into the Pool for coverage. These costs are paid by the fund that pays the salary for the covered employees. The Pool purchases insurance coverage for excess claims to limit the potential loss to its members. The amount of risk retained within the Pool is an annual aggregate limit of \$100,000 per individual and claims exceeding that limit are covered by stop-loss insurance provided by a commercial insurer. The members, including the District, may be liable for any claims which exceed the Pool's assets and are less than the excess claims amount, which could be charged to members at a pro-rata share of the individual member's premium to the total Pool premiums. Financial information relating to the Pool may be obtained by writing to San-Ott Consortium, c/o J. William Nye, Treasurer, 2810 North Genoa-Clay Center Road, Genoa, Ohio 43430-9730.

**C. Worker's Compensation Plan**

The District participates in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. Participants in the Plan 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 Plan tier rather than its individual rate. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of CompManagement, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

Plan Description - The District contributes to 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 the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on 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 DCP 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 fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The CP offers features of both the DBP and the DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

payment at a reduced level from the regular DBP. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the STRS Ohio 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 contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$760,761, \$764,565, and \$800,584 respectively; 82.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DCP and CP for fiscal year 2011 were \$14,684 and \$24,316, respectively.

**B. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement, disability, and 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 public available, stand-alone financial report that includes financial statement and required supplementary information. That report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2011, the allocation to pension and death benefits is 11.81%. The remaining 2.19% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2011, 2010, and 2009 were \$148,394, \$160,735, and \$112,297 respectively, which equaled the required contributions each year; 89.8 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2011 two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. State Teachers Retirement System**

Plan Description - The District contributes to a cost-sharing multiple-employer defined benefit Health Care 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 STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care 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 Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$58,520, \$58,813, and \$61,583 respectively; 82.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**B. School Employees Retirement System**

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

**Medicare Part B Plan**

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. 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 monthly premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation is .76%.

The District's contributions for the years ended June 30, 2011, 2010 and 2009 were \$9,549, \$9,559, and \$9,265, respectively, which equaled the required contributions each year.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 10 – POSTEMPLOYMENT BENEFITS (Continued)**

**Health Care Plan**

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, 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 ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code § 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2011, the health care allocation is 1.43%. 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. State law provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District contributions assigned to health care for the years ended June 30, 2011, 2010, and 2009 were \$45,586, \$26,016 and \$78,126, respectively.

The SERS 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 financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**NOTE 11 – CAPITALIZED LEASES - LESSEE DISCLOSURE**

During prior fiscal years, the District entered into capital lease agreements for the acquisition of the District's central office, computer equipment, weight equipment, athletic complex, sign and a football stadium. On August 2, 2011 the District entered into a capital lease with Dell Financial Services in the amount of \$85,010 for computers for the elementary school. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "[Accounting for Leases](#)", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 11 – CAPITALIZED LEASES - LESSEE DISCLOSURE (Continued)**

Fiscal Year Ending June 30,	Amount
2012	\$ 251,013
2013	167,414
2014	115,800
2015	115,800
2016	115,800
2017	67,550
Total minimum lease payment	833,377
Less: amount representing interest	(125,592)
Present value of minimum lease payments	\$ 707,785

**NOTE 12 – DEBT**

Debt outstanding at June 30, 2011 was as follows:

	Principal Outstanding 06/30/11	Interest Rate
General Obligation Bonds		
Series 2006		
Current interest serial bonds	\$ 2,785,000	3.5 to 4.3%
Capital appreciation bonds	34,999	34.335%
Accreted interest	145,292	
Series 2009		
Current interest serial bonds	4,975,000	3 to 5%
Capital appreciation bonds	94,797	16.20%
Accreted interest	32,632	
Capital Leases		
Athletic facility	534,031	7.125%
Central Office	80,000	Variable
Computers Elementary	53,981	4.97%
Computer Equipment	39,773	6.58%
Total Long-Term Obligations	\$ 8,775,505	

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 12 – DEBT (Continued)**

During fiscal year 2006, \$3,070,000 of these current interest bonds were refunded and the District paid \$110,000 in principal during 2011 on the non-refunded portion of the bonds.

On March 29, 2006 the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund the callable portion of the Series 1999 General Obligation Bonds (principal \$3,070,000). The issuance proceeds of \$3,069,999 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).

The refunding issue is comprised of both current interest bonds, par value \$3,035,000, and capital appreciation bonds, par value \$34,999. The capital appreciation bonds mature December 1, 2013, December 1, 2014 and December 1, 2015 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$530,000. In fiscal year 2011 \$48,949 of additional accreted interest was added for a total accreted interest of \$145,292 at June 30, 2011.

The reacquisition price exceeded the net carrying amount of the old debt by \$225,901. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 160,000	\$ 110,255	\$ 270,255			
2013	170,000	104,068	274,068			
2014		100,880	100,880	\$ 15,389	\$ 159,611	\$ 175,000
2015		100,880	100,880	11,211	163,789	175,000
2016		100,880	100,880	8,399	171,601	180,000
2017-2021	955,000	412,500	1,367,500			
2022-2026	1,165,000	198,093	1,363,093			
2027-2028	335,000	10,643	345,643			
<b>Total</b>	<b>\$ 2,785,000</b>	<b>\$ 1,138,199</b>	<b>\$ 3,923,199</b>	<b>\$ 34,999</b>	<b>\$ 495,001</b>	<b>\$ 530,000</b>

On July 9, 2009, the District issued general obligation bonds to finance building construction and improvements. The issue is comprised of both current interest bonds, par value \$5,135,00, and capital appreciation bonds, par value \$94,797. The interest rate on the current interest bonds range from 3.00% to 4.00%. The capital appreciation bonds mature on December 1, 2016, 2017 and 2018 (stated interest rate 16.20%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$6,350,000. In fiscal year 2011 there was an additional \$18,370 of accreted interest which brings the total of accreted interest to \$32,632 at June 30, 2011. Total accreted interest at June 30, 2011 was \$32,632. The District had \$4,422,300 of unspent bond proceeds remaining on the bond issue.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 12 – DEBT (Continued)**

The following is a summary of the future debt service requirements to maturity for the 2009 series refunding bonds:

<u>Year Ended</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 75,000	\$ 222,971	\$ 297,971	\$ -	\$ -	\$ -
2013	75,000	220,722	295,722	-	-	-
2014	90,000	218,246	308,246	-	-	-
2015	100,000	215,396	315,396	-	-	-
2016	110,000	212,246	322,246	-	-	-
2017 - 2021	310,000	1,040,682	1,350,682	94,797	255,203	350,000
2022 - 2026	985,000	890,849	1,875,849	-	-	-
2027 - 2031	1,260,000	640,599	1,900,599	-	-	-
2032 - 2036	1,600,000	296,517	1,896,517	-	-	-
2037	370,000	9,158	379,158	-	-	-
<b>Total</b>	<b>\$ 4,975,000</b>	<b>\$ 3,967,386</b>	<b>\$ 8,942,386</b>	<b>\$ 94,797</b>	<b>\$ 255,203</b>	<b>\$ 350,000</b>

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 \$8,655,103 (including available funds of \$1,474,524) and an unvoted debt margin of \$170,362.

**NOTE 13 – SET ASIDE REQUIREMENTS**

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 fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during 2011.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 13 – SET ASIDE REQUIREMENTS (Continued)**

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside balance June 30, 2010			<u>\$ 420,290</u>	<u>\$ 44,853</u>
Current year set-aside requirement	\$ 214,780	\$ 214,780		
Current year qualifying expenditures	(151,194)	(366,053)		
Excess qualified expenditures from prior years	<u>(556,732)</u>	<u>                    </u>		
Total	<u>\$ (493,146)</u>	<u>\$ (151,273)</u>	<u>\$ 420,290</u>	<u>\$ 44,853</u>
Balance carried forward to fiscal year 2012			<u>\$ 420,290</u>	<u>\$ 44,853</u>

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.

In a previous year, the District's Board of Education elected to designate \$420,290 for budget stabilization. Unless repealed, these funds may only be spent on designated purposes relating to budget stabilization. For fiscal year 2011, the fund balance designation for budget stabilization will be recorded under the committed portion of the General fund balance at June 30, 2011.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011  
(CONTINUED)**

**NOTE 14 – CONSTRUCTION AND CONTRACTUAL COMMITMENTS**

The District had the following contractual commitments outstanding at June 30, 2011, related to construction projects undertaken by the District:

<u>Contractor</u>	<u>Amount</u>
D & R Enterprises	\$ 109,000
Environmental Assurance Company	194,680
Executone Communications System	31,540
Martin Public Seating, Inc.	175,929
McNerney & Sons, Inc.	130,848
Playworld Midstates	194,956
School Speciality Company	63,827
Total	<u>\$ 900,780</u>

**NOTE 15 – CONTINGENT LIABILITIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2011.

**B. Litigation**

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

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> <b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed through the Ohio Department of Education</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$ 29,973	\$ 29,973
National School Lunch Program			
Non-Cash Assistance (Food Distribution)	10.555	36,159	36,159
Cash Assistance	10.555	163,637	163,637
Total - National School Lunch Program		<u>199,796</u>	<u>199,796</u>
Total United States Department of Agriculture		<u><b>229,769</b></u>	<u><b>229,769</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed through the Ohio Department of Education</i>			
<u>Special Education Cluster (IDEA):</u>			
Special Education - Grants to States (IDEA, Part B)	84.027	327,695	327,695
ARRA - Special Education - Grants to States (IDEA, Part B)	84.391	332,922	251,341
Special Education - Preschool Grants (IDEA Preschool)	84.173	6,637	6,637
ARRA - Special Education - Preschool Grants (IDEA Preschool)	84.392	3,515	7,061
Total - Special Education Cluster (IDEA)		<u>670,769</u>	<u>592,734</u>
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)	84.010	188,001	118,426
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	60,700	61,977
Total - Title I, Part A Cluster		<u>248,701</u>	<u>180,403</u>
Safe and Drug Free Schools and Communities - State Grants	84.186	205	205
Education Technology State Grants	84.318	395	395
Improving Teacher Quality State Grants	84.367	69,752	69,752
ARRA - State Fiscal Stabilization Fund - Education State Fund	84.394	435,633	435,633
ARRA - Race to the Top	84.395	1,797	1,740
Education Jobs Fund	84.410	324,276	324,276
Total United States Department of Education		<u><b>1,751,528</b></u>	<u><b>1,605,138</b></u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<u><b>\$ 1,981,297</b></u>	<u><b>\$ 1,834,907</b></u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Genoa Local School District's (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 fair value. The District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.

**NOTE D - MATCHING REQUIREMENTS**

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Dave Yost • Auditor of State

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

Genoa Area Local School District  
Ottawa County  
2810 North Genoa-Clay Center Road  
Genoa, Ohio 43430-9730

To the Board of Education:

We have audited the financial statements of Genoa Area Local School District, Ottawa County, Ohio (the District), as of and for the year ended June 30, 2011, and have issued our report thereon dated August 10, 2012, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governmental entities rather than accounting principles generally accepted in the United States of America. We also noted the District implemented Government Accounting Standards Board Statement 54, "Fund Balance Reporting and Governmental Fund Type Definitions". 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting, that we consider to be a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-003 described in the accompanying schedule of findings and questioned costs to be a material weakness.

### **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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated August 10, 2012.

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

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



**Dave Yost**  
Auditor of State

August 10, 2012



# Dave Yost • Auditor of State

## 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

Genoa Area Local School District  
Ottawa County  
2810 North Genoa-Clay Center Road  
Genoa, Ohio 43430-9730

To the Board of Education:

### Compliance

We have audited the compliance of Genoa Area Local School District, Ottawa County, Ohio (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 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 and questioned costs 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

As described in findings 2011-004 through 2011-006 in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding allowable costs/cost principles applicable to its Special Education Cluster and cash management applicable to its State Fiscal Stabilization Fund Grant major federal programs. Compliance with these requirements is necessary, in our opinion, for the District to comply with requirements applicable to this program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Genoa Area Local School District, Ottawa County, Ohio 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.

The results of our auditing procedures also disclosed another instance of noncompliance with these requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists this instance as Finding 2011-007.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-004 through 2011-006 to be material weaknesses.

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

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



**Dave Yost**  
Auditor of State

August 10, 2012

GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified for the Education Jobs Fund and Qualified for the State Fiscal Stabilization Grant and Special Education Cluster
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Special Education Cluster – CFDA 84.027, 84.391. 84.173 and 84.392; State Fiscal Stabilization Fund – CFDA 84.394; Education Jobs Fund – CFDA 84.410
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2011-001**

**Noncompliance Finding**

**Ohio Revised Code, § 117.38**, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**Ohio Administrative Code, § 117-2-03 (B)**, which further clarifies the requirements of Ohio Revised Code § 117.38, requires the District to file annual financial report which are prepared using generally accepted accounting principles (GAAP).

For fiscal year 2011, the District prepared financial statements in accordance with the regulatory basis of accounting prescribed or permitted by the Auditor of State for governments not required to report in accordance with GAAP. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure the financial report is prepared in accordance with generally accepted accounting principles.

**Officials' Response:**

We did not receive a response from Officials to this finding.

**FINDING NUMBER 2011-002**

**Finding for Recovery Repaid Under Audit**

**Ohio Revised Code, § 3313.12**, provides each member of the Board of Education may be paid such compensation as the governing board provides by resolution provided that any such compensation shall not exceed one-hundred twenty five dollars a day for attendance at any board meeting. The Board of Education has established compensation at the amount of eighty dollars per meeting. During our testing of payroll disbursements for Board of Education members it was noted that three Board members were having the employee share of the State Employee Retirement System (SERS) withholding paid by the District.

Attorney General Opinion 84-36 addressed the issue of elected official's ability to participate in employer pick-up plans, while this opinion specifically addressed the Ohio Public Employees Retirement System the limitations associated with elected officials compensation and the definition of compensation also apply to other State retirement systems. The Opinion discusses two types of plans. The first type is a salary reduction plan in which salary is reduced and in exchange for this reduction the entity picks-up the members retirement contributions. The second type is a pick-up in lieu of salary increase in which rather than providing for an increase in salary the entity will pick-up a portion of the employees retirement contributions. The Opinion concluded for a government with the power to compensate its employees they may implement a pick-up in lieu of salary increase plan for its employees however, those officers whose compensation is established by State statute may not participate in the plan; they may however participate in a salary reduction plan. No evidence was provided to indicate the Board members were participating in a salary reduction plan, therefore the amounts contributed by the District are deemed unallowable.

**FINDING NUMBER 2011-002  
 (Continued)**

The following schedule summarizes the amount of employer pick-up paid by the District on behalf of Board members:

Board Member	FY 2011	FY 2012
Mitchell E. Hoyles	\$102	\$102
Alan R. Brown	102	102
Laura N. Meinke	102	102

Mitchell E. Hoyles reimbursed the District \$204 on May 23, 2012, through personal check. Alan R. Brown reimbursed the District \$204 on May, 18, 2012, through personal check. Laura Meinke reimbursed the District \$204 June 5, 2012, through personal check.

**Officials' Response:**

Annually the District filed a Notice of Employer Pick-up Plan with supporting board action for the pick-up of School Employee Retirement System (SERS) withholdings for board members. The District was unaware of the Attorney General's Opinion, moving forward the District will adhere to the guidelines included in the opinion.

**FINDING NUMBER 2011-003**

**Material Weakness - Financial Reporting**

The results of our procedures identified the following errors requiring adjustment to the financial statements:

- \$70,146 representing the payment of interest in the Bond Retirement Fund was improperly classified as principal payments;
- \$47,101 and \$3,465 representing principal and interest payments, respectively, in the General Fund were improperly classified as extracurricular activity disbursements;
- The Treasurer recorded \$200,052 and \$49,866 representing principal and interest payments, respectively, in the Permanent Improvement fund improperly classified as operations and maintenance disbursements.
- The District undertook construction projects through the Ohio School Facilities Commission. The Treasurer improperly recorded retainage amounts withheld as disbursements. An adjustment in the amount of \$207,766 was made to facilities acquisition and construction and \$118 to interest in the Capital Project Fund Type.

Sound financial reporting is the responsibility of management and is essential to ensure the information provided to the readers of the financial statements and accompanying notes is complete and accurate.

To ensure the District's financial statements and notes to the statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer, to identify and correct errors and omissions. Also, the Treasurer can refer to the USAS accounting manual at the following web site address for guidance on the recording of transactions:

[http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/uniform\\_school\\_accounting\\_system\\_user\\_manual.pdf](http://www.ohioauditor.gov/services/lgs/publications/LocalGovernmentManualsHandbooks/uniform_school_accounting_system_user_manual.pdf)

**FINDING NUMBER 2011-003  
 (Continued)**

**Officials' Response:**

We did not receive a response from Officials to this finding.

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

<b>Finding Number</b>	2011-004
<b>CFDA Title and Number</b>	Special Education Cluster: Special Education – Grants to State - CFDA #84.027 ARRA – Special Education – Grants to State - CFDA #84.391 Early Childhood Grant - CFDA #84.173 ARRA – Early Childhood Grant - CFDA #84.392
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Allowable Costs/Cost Principles – Noncompliance/Questioned Cost/Material Weakness**

**2 CFR Part 225 (formerly known as OMB Circular A-87), Appendix A, Section (C)(1)(j)** provides that for a cost to be allowable, the expenditure must be adequately documented.

Under 2 CFR Part 225 Appendix B, Section 15 (b), the following rules of allowability shall apply to equipment and other capital expenditures:

- (1) Capital expenditures for general purpose equipment, buildings, and land are unallowable as direct charges, except where approved in advance by the awarding agency.

2 CFR Part 225, Appendix B, Section 15 (a) defines equipment as follows:

- (2) "Equipment" means an article of nonexpendable, tangible personal property having a useful life of more than one year and an acquisition cost which equals or exceeds the lesser of the capitalization level established by the governmental unit for financial statement purposes, or \$5000.
- (3) "Special purpose equipment" means equipment which is used only for research, medical, scientific, or other technical activities. Examples of special purpose equipment include microscopes, x-ray machines, surgical instruments, and spectrometers.
- (4) "General purpose equipment" means equipment, which is not limited to research, medical, scientific or other technical activities. Examples include office equipment and furnishings, modular offices, telephone networks, information technology equipment and systems, air conditioning equipment, reproduction and printing equipment, and motor vehicles.

**2 CFR Part 225 Appendix C, Section (A)(1)** also provides, in part, that all costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

**FINDING NUMBER 2011-004  
 (Continued)**

Section 605 of the IDEA authorizes the use of IDEA funds for the acquisition of equipment if the State pass through agency, the Ohio Department of Education (ODE), determines that the program would be improved by allowing funds to be used for these purposes. In general, IDEA Part B funds must be used only to pay the excess costs of providing FAPE to children with disabilities, such as costs for special education teachers and administrators; related services providers (speech therapists, psychologists, etc.); materials and supplies for use with children with disabilities; professional development for special education personnel; professional development for regular education teachers who teach children with disabilities; and specialized equipment or devices to assist children with disabilities. Generally IDEA funds cannot be used for core instruction in the general education classroom, instructional materials for use with non-disabled children, or for professional development of general education teachers not related to meeting the needs of students with disabilities,

Genoa Area Local School District spent \$77,989 in IDEA part B Stimulus money on a new school bus during the audit period. The purchased bus is used to transport two students with disabilities and twenty additional students without disabilities. The portion of the disbursements associated with nondisabled students (44 percent of the total disbursement based on total students transported), represents a disbursement of grant funds for unallowable activities. Total questioned costs for expenditures for unallowable activities are thirty-four thousand three hundred fifteen dollars (\$34,315) of the \$592,734 Special Education Cluster grant during 2011.

We recommend the District use IDEA part B Stimulus money for only expenditures that are allowable as noted in the specific program guidelines.

**Officials' Response:**

The District has contacted the Ohio Department of Education regarding an agreement on allowable use of money's spent based on guidance provided in the Ohio Department of Education's use of funds.

<b>Finding Number</b>	2011-005
<b>CFDA Title and Number</b>	Special Education Cluster: Special Education – Grants to State CFDA #84.027 ARRA – Special Education – Grants to State CFDA #84.391 Early Childhood Grant CFDA #84.173 ARRA – Early Childhood Grant CFDA #84.392
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Allowable Costs/Cost Principles – Noncompliance/Questioned Cost/Material Weakness**

A State Educational Agency (SEA) or Local Educational Agency (LEA) that consolidates Federal administrative funds under Sections 9201 or 9203 of ESEA (20 USC 7821 or 7823) is not required to keep separate records by individual program. The SEA or LEA may treat the consolidated administrative cost objective as a "dedicated function." Time-and-effort requirements with respect to consolidated administrative funds vary under different circumstances:

**FINDING NUMBER 2011-005  
(Continued)**

1. 2 CFR 225 (OMB Circular A 87), Appendix B, Paragraph 8.h.(3), indicates an employee who works solely on a single cost objective (i.e., the consolidated administrative cost objective) must furnish a semi-annual certification that he/she has been engaged solely in activities. The certifications must be signed by the employee or a supervisory official having first-hand knowledge of the work performed by the employee.
2. 2 CFR 225 (OMB Circular A 87), Appendix B, paragraphs 8.h.(4), (5), and (6), indicates an employee who works in part on a single cost objective (i.e., the consolidated administrative cost objective) and in part on a Federal program whose administrative funds have not been consolidated or on activities funded from other revenue sources must maintain time and effort distribution records documenting the portion of time and effort dedicated to:
  - a. The single cost objective, and
  - b. Each program or other cost objective supported by non-consolidated Federal funds or other revenue sources.

The Director of Student Services / Special Education performs certain non-special education functions. The District allocates twenty percent of the Director's compensation to the General Fund with the remaining eighty percent charged to the Special Education Cluster. Time and activity logs were not maintained in order to ensure the amounts charged to the Special Education Cluster were representative of actual time spent on activities chargeable to the grant.

Salary charged to the Special Education Cluster in the amount of \$57,705 represent questioned costs on the basis of underlying documentation supporting these disbursements was not properly maintained. Total questioned costs for allowable costs are fifty-seven thousand seven hundred five dollars (\$57,705) of the \$592,734 Special Education Cluster grant during fiscal year 2011.

The Director should maintain and time and effort documentation to support the portion of compensation charged against the grant fund. The Treasurer should ensure the portion of salary charged against the grant fund is supported by the time and effort documentation and record any necessary adjustments in the District's records to account for differences between the amount allocated to grant funds and the calculated allowable amount based on time and effort documentation.

**Officials' Response:**

The District has implemented procedures to ensure completion of the required time and effort certifications.

<b>Finding Number</b>	2011-006
<b>CFDA Title and Number</b>	ARRA – State Fiscal Stabilization Fund – Education State Grants CFDA # 84.394
<b>Federal Award Number / Year</b>	2011
<b>Federal Agency</b>	United States Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Cash Management – Noncompliance/Material Weakness**

**34 C.F.R. 80.20(b)(7)** states, in part, when advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. State Fiscal Stabilization Fund (SFSF) monies are received in advance by the District through the foundation program as indicated in the Ohio Department of Education (ODE) Pathway to Student Success (PASS) form.

Our review of District SFSF Fund balances and subsequent monthly expenditures revealed six instances in which monies were not expended in a timely manner (i.e., within 30 days). The SFSF Fund balance for the months July through December ranged from \$32,350 to \$199,470.

The Treasurer indicated funds were accumulated as received and subsequently disbursed for high dollar expenditures.

The District should implement procedures to ensure federal funds are disbursed in a timely manner.

**Officials’ Response:**

We did not receive a response from Officials’ to this finding.

**FINDING NUMBER 2011-007**

**Noncompliance Citation**

**OMB Circular A-133 §.200**, requires Non-Federal entities that expend \$500,000 or more in a year in Federal awards to have a single audit or program-specific audit conducted for that year in accordance with the provisions of **OMB Circular A-133**.

**OMB Circular A-133 §.320(a)** requires the audit to be completed and the data collection form and reporting package to be submitted within the earlier of 30 days after receipt of the auditor’s report, or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for the audit.

The District expended greater than \$500,000 in Federal awards during fiscal year 2011 and did not have a single audit or a program-specific audit conducted to meet the nine month deadline. The District did not receive an extension to this filing requirement.

**Officials’ Response:**

We did not receive a response from Officials to this finding.

**This page intentionally left blank.**

**GENOA AREA LOCAL SCHOOL DISTRICT  
OTTAWA COUNTY**

**CORRECTIVE ACTION PLAN  
OMB CIRCULAR A -133 § .315 (c)  
JUNE 30, 2011**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2011-004	The District will contact ODE Grants Management unit to determine what entries/adjustments are necessary to correct this matter.	June, 2012	J. William Nye, Treasurer
2011-005	The District will implement procedures to ensure proper documentation of time and effort for individuals assigned to more than one cost objective.	June, 2012	J. William Nye, Treasurer
2011-006	SFSF Funds will be monitored a charged timely, in accordance with CFR 80.20(b)(7).	June, 2012	J. William Nye, Treasurer
2011-007	The District will monitor future audit engagements to ensure compliance.	June, 2012	J. William Nye, Treasurer

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

Genoa Area Local School District  
Ottawa County  
2810 North Genoa-Clay Center Road  
Genoa, Ohio 43430-9730

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 Genoa 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.

We noted the District amended its anti-harassment policy at its meeting on April 19, 2011, to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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 of Education 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

August 10, 2012

**This page intentionally left blank.**



# Dave Yost • Auditor of State

GENOA AREA LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
AUGUST 28, 2012