

GENOA AREA LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

Audit Report

For the Year Ended June 30, 2009

CHARLES E. HARRIS & ASSOCIATES, INC.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

Board of Education
Genoa Area Local School District
2810 North Genoa-Clay Center Road
Genoa, Ohio 43430

We have reviewed the *Report of Independent Accountants* of the Genoa Area Local School District, Ottawa County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 1, 2010

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GENOA AREA LOCAL SCHOOL DISTRICT
 OTTAWA COUNTY
 AUDIT REPORT
 For the Year Ending June 30, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Genoa Area Local School District, Ottawa County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Genoa Area Local School District, Ottawa County, Ohio, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2009 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, 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 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.

The management's discussion and analysis and the budgetary comparison information are not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Charles E. Harris & Associates, Inc.
December 30, 2009

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of the Genoa Area Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets increased \$12,787,364. Net assets of governmental activities increased \$12,780,229 which represents a 171.13% increase from 2008. Net assets of business-type activities increased \$7,135 or 12.15% from 2008.
- General revenues accounted for \$24,513,603 in revenue or 92.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,934,084 or 7.31% of total revenues of \$26,447,687.
- The District had \$13,667,458 in expenses related to governmental activities; \$1,934,084 of these expenses were offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes, unrestricted grants and entitlements, and grants and entitlements restricted to the Ohio School Facilities Commission project) of \$24,513,603 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and the classroom facilities fund. The general fund had \$11,326,364 in revenues, and \$11,756,750 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance decreased \$430,386 from \$1,200,119 to \$769,733.
- The classroom facilities fund had revenues and other financing sources of \$4,068,890 and expenditures of \$245,534. The classroom facilities fund's fund balance increased \$3,823,356 from a zero balance to a balance of \$3,823,356.
- The District's only non-major enterprise fund is the food service fund. The food service fund had \$587,982 in revenues and \$580,847 in expenses. The food service fund net assets increased \$7,135 from \$58,718 to \$65,853.

Using these Basic Financial Statements

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's food service operations are reported as business-type activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and the classroom facilities fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-21 of this report.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Proprietary Funds

The District maintains a proprietary fund. Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets on page 26. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 27-56 of this report.

The District as a Whole

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2009 and 2008.

	Governmental Activities		Net Assets Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<u>Assets</u>						
Current and other assets	\$ 25,883,907	\$ 8,053,211	\$ (25,268)	\$ (43,306)	\$ 25,858,639	\$ 8,009,905
Capital assets, net	10,130,107	10,138,671	118,670	130,499	10,248,777	10,269,170
Total assets	36,014,014	18,191,882	93,402	87,193	36,107,416	18,279,075
<u>Liabilities</u>						
Current liabilities	5,091,256	5,159,039	21,864	20,951	5,113,120	5,179,990
Long-term liabilities	10,674,422	5,564,736	5,685	7,524	10,680,107	5,572,260
Total liabilities	15,765,678	10,723,775	27,549	28,475	15,793,227	10,752,250
<u>Net Assets</u>						
Invested in capital assets, net of related debt	5,854,830	5,671,827	118,670	130,499	5,973,500	5,802,326
Restricted	14,585,626	1,565,512	-	-	14,585,626	1,565,512
Unrestricted (deficit)	(192,120)	230,768	(52,817)	(71,781)	(244,937)	158,987
Total net assets	\$ 20,248,336	\$ 7,468,107	\$ 65,853	\$ 58,718	\$ 20,314,189	\$ 7,526,825

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

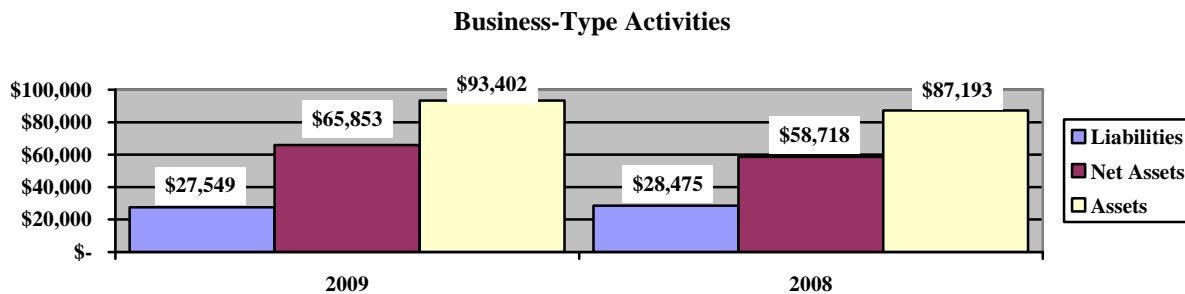
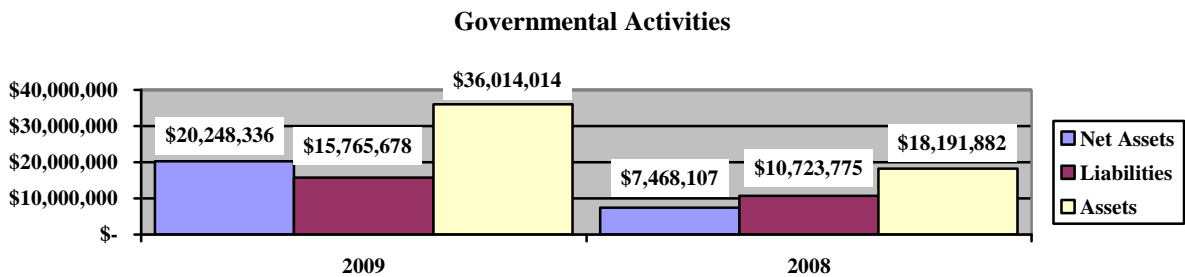
Total net assets of the District increased by \$12,787,364, primarily due to the District beginning an Ohio School Facilities Commission project. Governmental activities net assets increased \$12,780,229 and business-type activities net assets increased \$7,135.

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$20,314,189. Of this total, \$20,248,336 is in governmental activities and \$65,853 is in business-type activities.

At fiscal year-end, capital assets represented 28.13% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$5,854,830 in governmental activities and \$118,670 in business-type activities. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets in governmental activities, \$14,585,626, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net assets.

The graphs below presents the District's governmental and business-type activities assets, liabilities and net assets for fiscal years 2009 and 2008.



**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The table below shows the change in net assets for fiscal years 2009 and 2008

	Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services and sales	\$ 1,002,950	\$ 872,069	\$ 382,204	\$ 408,569	\$ 1,385,154	\$ 1,280,638
Operating grants and contributions	919,633	1,031,312	205,778	181,757	1,125,411	1,213,069
Capital grants and contributions	11,501	65,718	-	-	11,501	65,718
General revenues:						
Property taxes	4,593,970	4,645,690	-	-	4,593,970	4,645,690
Grants and entitlements	19,792,994	6,473,031	-	-	19,792,994	6,473,031
Investment earnings	123,027	130,572	-	-	123,027	130,572
Other	3,612	29,688	-	-	3,612	29,688
Total revenues	<u>26,447,687</u>	<u>13,248,080</u>	<u>587,982</u>	<u>590,326</u>	<u>27,035,669</u>	<u>13,838,406</u>
Expenses						
Program expenses:						
Instruction:						
Regular	7,459,512	7,348,292	-	-	7,459,512	7,348,292
Special	1,133,198	1,081,448	-	-	1,133,198	1,081,448
Vocational	-	5,131	-	-	-	5,131
Support services:						
Pupil	372,900	348,424	-	-	372,900	348,424
Instructional staff	148,010	122,614	-	-	148,010	122,614
Board of education	9,513	9,425	-	-	9,513	9,425
Administration	1,101,471	1,086,750	-	-	1,101,471	1,086,750
Fiscal	384,756	386,827	-	-	384,756	386,827
Business	18,434	11,513	-	-	18,434	11,513
Operations and maintenance	1,285,104	1,031,220	-	-	1,285,104	1,031,220
Pupil transportation	409,060	468,206	-	-	409,060	468,206
Central	362,562	335,976	-	-	362,562	335,976
Operations of non-instructional services:						
Non-instructional services	3,809	873	-	-	3,809	873
Extracurricular activities	647,279	537,197	-	-	647,279	537,197
Interest and fiscal charges	331,850	269,347	-	-	331,850	269,347
Food service operations	-	-	580,847	562,162	580,847	562,162
Total expenses	<u>13,667,458</u>	<u>13,043,243</u>	<u>580,847</u>	<u>562,162</u>	<u>14,248,305</u>	<u>13,605,405</u>
Change in net assets	12,780,229	204,837	7,135	28,164	12,787,364	233,001
Net assets at beginning of year	<u>7,468,107</u>	<u>7,263,270</u>	<u>58,718</u>	<u>30,554</u>	<u>7,526,825</u>	<u>7,293,824</u>
Net assets at end of year	<u>\$ 20,248,336</u>	<u>\$ 7,468,107</u>	<u>\$ 65,853</u>	<u>\$ 58,718</u>	<u>\$ 20,314,189</u>	<u>\$ 7,526,825</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

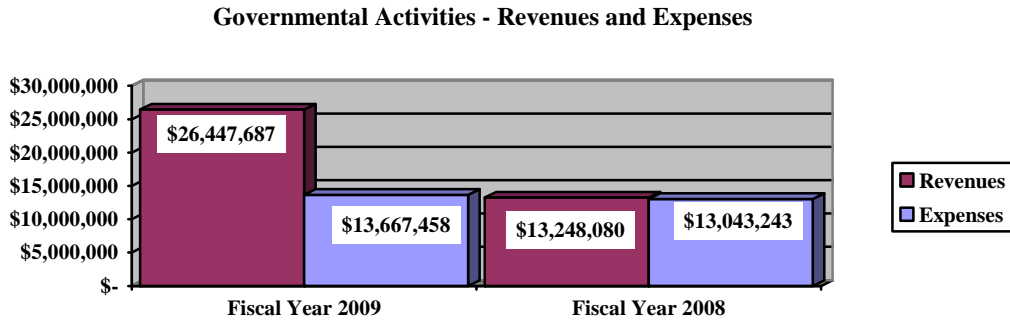
Governmental Activities

Net assets of the District's governmental activities increased \$12,780,229. Total governmental expenses of \$13,667,458 were offset by program revenues of \$1,934,084 and general revenues of \$24,513,603. Program revenues supported 14.15% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, unrestricted grants and entitlements, and grants and entitlements restricted for the Ohio School Facilities Commission project. These revenue sources represent 92.69% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$8,592,710 or 62.87% of total governmental expenses for fiscal 2009.

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.



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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The table below shows the cost of services and net cost of services for fiscal years 2009 and 2008.

Governmental Activities				
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 7,459,512	\$ 6,880,247	\$ 7,348,292	\$ 6,821,747
Special	1,133,198	539,177	1,081,448	381,292
Vocational	-	-	5,131	1,598
Support services:				
Pupil	372,900	365,127	348,424	340,922
Instructional staff	148,010	130,505	122,614	102,012
Board of education	9,513	9,513	9,425	9,425
Administration	1,101,471	1,032,080	1,086,750	1,015,527
Fiscal	384,756	381,310	386,827	382,232
Business	18,434	18,434	11,513	11,513
Operations and maintenance	1,285,104	1,253,558	1,031,220	982,162
Pupil transportation	409,060	370,907	468,206	424,450
Central	362,562	298,320	335,976	294,941
Operations of non-instructional services:				
Non-instructional services	3,809	(2,516)	873	873
Extracurricular activities	647,279	124,862	537,197	78,839
Interest and fiscal charges	331,850	331,850	269,347	226,611
Total expenses	<u>\$ 13,667,458</u>	<u>\$ 11,733,374</u>	<u>\$ 13,043,243</u>	<u>\$ 11,074,144</u>

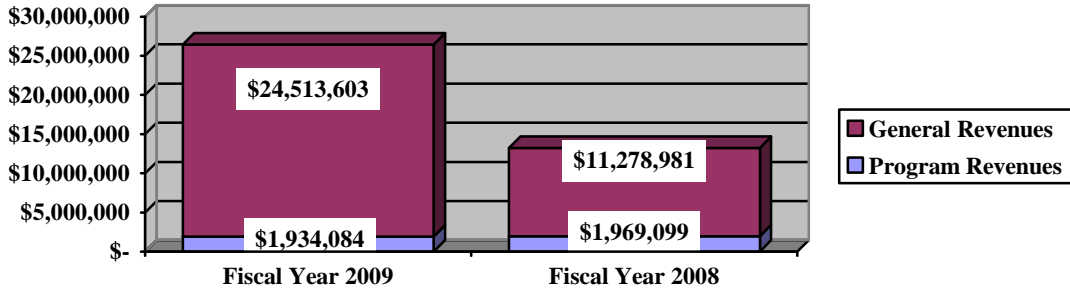
The dependence upon tax and other general revenues for governmental activities is apparent, 86.35% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 85.85%. The District's taxpayers and grants and entitlements, as a whole, are by far the primary support for District's students.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include the food service fund. This program had revenues of \$587,982 and expenses of \$580,847 for fiscal year 2009. The District's business activities primary support is through charges for services.

The District's Funds

The District's governmental funds reported a combined fund balance of \$8,389,683, which is greater than last year's total of \$2,711,791. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance <u>June 30, 2009</u>	Fund Balance <u>June 30, 2008</u>	Increase (Decrease)	Percentage Change
General	\$ 769,733	\$ 1,200,119	\$ (430,386)	(35.86) %
Classroom facilities	3,823,356	-	3,823,356	100.00 %
Other governmental	<u>3,796,594</u>	<u>1,511,672</u>	<u>2,284,922</u>	151.15 %
Total	<u>\$ 8,389,683</u>	<u>\$ 2,711,791</u>	<u>\$ 5,677,892</u>	209.38 %

General Fund

The District's general fund balance decreased \$430,386. The decrease in fund balance can be attributed to several items, primarily an increase in instructional expenses and transfers out to other governmental funds. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 3,742,826	\$ 3,947,916	\$ (205,090)	(5.19) %
Tuition	420,116	343,799	76,317	22.20 %
Earnings on investments	95,909	130,572	(34,663)	(26.55) %
Extracurricular	145,776	139,417	6,359	4.56 %
Intergovernmental	6,888,921	6,715,886	173,035	2.58 %
Other revenues	<u>32,816</u>	<u>44,267</u>	<u>(11,451)</u>	(25.87) %
Total	<u>\$ 11,326,364</u>	<u>\$ 11,321,857</u>	<u>\$ 4,507</u>	0.04 %
<u>Expenditures</u>				
Instruction	\$ 7,904,077	\$ 7,539,415	\$ 364,662	4.84 %
Support services	3,435,921	3,391,420	44,501	1.31 %
Non-instructional services	894	873	21	2.41 %
Extracurricular activities	216,899	229,478	(12,579)	(5.48) %
Debt service	<u>115,800</u>	<u>115,800</u>	<u>-</u>	- %
Total	<u>\$ 11,673,591</u>	<u>\$ 11,276,986</u>	<u>\$ 396,605</u>	3.52 %

Tuition increased 22.20% due to an increase in open enrollment. Earnings on investments decreased 26.55% due to lower interest rates earned on investments. All other revenues and expenditures were comparable to the prior year.

Classroom Facilities Fund

The District's classroom facilities fund balance increased \$3,823,356. The increase in fund balance can be attributed to the bond anticipation notes that were issued during the current fiscal year.

General Fund Budgeting Highlights

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

During the course of fiscal 2009, the District amended its general fund budget several times. For the general fund, original appropriations and other financing uses were \$11,869,755 and final appropriations and other financing uses were \$11,855,390. Actual budget basis expenditures and other financing uses for fiscal 2009 was \$11,652,084. This represents a \$203,306 decrease from final appropriations.

General fund original budgeted revenues and other financing sources totaled \$11,500,000. Final budgeted revenues and other financing sources for fiscal year 2009 totaled \$11,446,048. Actual revenues and other financing sources for fiscal 2009 were \$11,446,368, which is \$320 greater than the final budget revenues.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2009, the District had \$10,248,777 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. See Note 8 to the basic financial statements for additional information. \$10,130,107 is reported in governmental activities and \$118,670 in business-type activities.

The following table shows fiscal 2009 balances compared to 2008.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 448,787	\$ 448,787	\$ -	\$ -	\$ 448,787	\$ 448,787
Construction in progress	213,534	-	-	-	213,534	-
Land improvements	960,608	1,029,832	-	-	960,608	1,029,832
Building and improvements	7,614,881	7,830,041	-	-	7,614,881	7,830,041
Furniture and equipment	651,990	630,044	118,670	130,499	770,660	760,543
Vehicles	240,307	199,967	-	-	240,307	199,967
Total	<u>\$ 10,130,107</u>	<u>\$ 10,138,671</u>	<u>\$ 118,670</u>	<u>\$ 130,499</u>	<u>\$ 10,248,777</u>	<u>\$ 10,269,170</u>

The overall decrease in capital assets of \$20,393 is due to depreciation expense of \$510,034 and disposals of \$8,714 (net of accumulated depreciation) exceeding capital outlays of \$498,355 for fiscal year 2009.

Debt Administration

At June 30, 2009, the District had \$3,185,683 in general obligation bonds and capital appreciation bonds outstanding, \$5,230,000 in bond anticipation notes outstanding and \$1,066,819 in capital lease obligations. Of this total, \$5,575,065 is due within one year and \$3,907,437 is due within greater than one year. See Note 10 to the basic financial statements for additional information. The following table summarizes the bonds and lease obligations outstanding.

Outstanding Debt, at Year End

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
General obligation bonds	\$ 3,185,683	\$ 3,299,705
Bond anticipation notes	5,230,000	-
Capital lease obligations	<u>1,066,819</u>	<u>1,201,843</u>
Total	<u>\$ 9,482,502</u>	<u>\$ 4,501,548</u>

At June 30, 2009, the District's overall legal debt margin was \$8,234,355, and an unvoted debt margin of \$167,575.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Current Financial Related Activities

The District has carefully managed its general fund, the principal operating fund of the District and the students that it serves. The District had general fund cash balances of \$1,415,932 in fiscal year 2009, \$1,578,562 in fiscal year 2008 \$1,705,077 in fiscal year 2007, \$1,546,197 in fiscal year 2006, \$1,710,805 in fiscal year 2005, \$1,872,851 in fiscal year 2004, \$2,594,630 in fiscal year 2003, and \$3,358,737 in fiscal year 2002. The decline in cash balances in fiscal year 2003 and fiscal year 2004 were attributable to the decision of the Board not to seek renewal of a 5 mill emergency levy. Fiscal year 2003 and fiscal year 2004 showed operating deficits. During that time frame the Board proposed to voters three levies to resolve the deficits. All three failed, the latter two by small margins. For that reason the Board took steps to reduce school operating expenses by \$1,000,000. In fiscal year 2009 the District's per pupil expense was \$8,713. That is below the State average and it is also below the average of the District's peer groups. Likewise, the District's grade card score on academic indicators are above the State's average and peer group average.

The Board's five year projections show that the District's general fund cash balance becomes a negative in fiscal year 2012 and drops below a safe reserve level the previous year. For that reason the Board anticipates proposing a new operating levy to the voters within the next two to three fiscal years.

Several significant legislative and judicial actions have occurred that have and will have significant impact on the District. The Ohio Supreme Court ruled in March 1997 that the State of Ohio was operating an unconstitutional educational system, one that was neither "adequate" nor "equitable". Subsequent decisions have left the question of school funding and constitutionality of same in a state of flux. On July 17, 2009 House Bill 1 was passed into law, which included the Ohio Evidence Based Model (OEBM) on which school districts will now be funded. This budget/model could be the start of a profound change in the funding of K-12 education in the State. The OEBM has many facets to it, which in the long run, should positively affect our District once provisions are fully implemented. However, in the short run the OEBM does contain a "transitional aid" guarantee for this biennium, which has a negative effect on the District's revenue funding flow from the State. In fiscal year 2010 the District is set to receive only 99% of the prior year's funding and only 98% of the prior year's funding in fiscal year 2011. This equates to a loss in funding of approximately \$175,000 over the biennium.

The District has incurred enrollment decreases over the past few years. Enrollment is critical since State funding formulas are based on enrollment. Open enrollment students, students who attend the District and are accompanied by their State funding, have been used to curb this decline. Currently, the District has a net of 70 open enrollment students. The District expects enrollment to modestly continue to decline, and expects to continue to use open enrollment to maintain a more stable enrollment base.

Another positive challenge facing the District is its facilities. The District is an expedited partner of the Ohio Schools Facility Commission (OSFC). The District was successful in passing a bond issue in November 2008, which will consolidate the two existing elementary schools into one new elementary school and will be built on the Middle School/High School campus. The District's share of this cost is 42% of the budgeted twenty-two million dollar project. Also, monies were passed to complete renovations to the existing High School and athletic complex as a whole. The construction and renovations of these facilities are expected to reduce the operating expenses of the District by approximately **\$200,000 per year**.

Certain outside factors have impacted past financial performance and are expected to continue to have an impact. These factors include:

Revenues

1. Real property tax delinquencies and foreclosures.
2. Tangible personal property tax revenue phase-out. The complete phase out of this revenue stream would cost our District approximately \$600,000 in lost revenue funding equating to 3.6 mills.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

3. Interest rate declines and reduced cash position has resulted in significant reduction in investment revenues.
4. The District made a decision not to renew a 5 mill emergency levy in 2002. This has resulted in an almost \$500,000 decline in general fund revenue.

Expenditures

1. Health insurance premiums increased by an average of 14% since 1998. It is expected that these will increase by 15% annually. Fiscal Year 2010 will show an actual increase of 14.3% in premiums.
2. Special education costs have increased by over 100% since 2000. Forecasted data shows no slow down in the growth of these expenses.
3. Liability insurance costs increased by 14.5% in fiscal year 2010, and are expected to continue to grow over the next 5 years.
4. District salary costs have decreased due to cuts made in fiscal year 2009. While some of the positions have a possibility of a return in the future depending on the full implementation of the OEBM, the cuts will remain permanent without additional funding help from the State.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. J. William Nye, Treasurer, Genoa Area Local School District, 2810 N. Genoa Clay Center Road, Genoa, Ohio 43430-9730.

**BASIC
FINANCIAL STATEMENTS**

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**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and investments	\$ 8,954,657	\$ -	\$ 8,954,657
Receivables:			
Taxes	4,582,782	-	4,582,782
Intergovernmental	12,185,646	-	12,185,646
Note receivable	7,667	-	7,667
Prepayments	15,021	-	15,021
Materials and supplies inventory	23,263	6,145	29,408
Unamortized bond issue costs	83,458	-	83,458
Internal balance.	31,413	(31,413)	-
Capital assets:			
Land	448,787	-	448,787
Construction in progress.	213,534	-	213,534
Depreciable capital assets, net	9,467,786	118,670	9,586,456
Capital assets, net.	<u>10,130,107</u>	<u>118,670</u>	<u>10,248,777</u>
Total assets.	<u>36,014,014</u>	<u>93,402</u>	<u>36,107,416</u>
Liabilities:			
Accounts payable.	12,056	130	12,186
Accrued wages and benefits	796,701	15,563	812,264
Pension obligation payable.	264,050	5,518	269,568
Intergovernmental payable	32,897	653	33,550
Unearned revenue	3,889,832	-	3,889,832
Accrued interest payable	95,720	-	95,720
Long-term liabilities:			
Due within one year	5,862,831	-	5,862,831
Due in more than one year	4,811,591	5,685	4,817,276
Total liabilities	<u>15,765,678</u>	<u>27,549</u>	<u>15,793,227</u>
Net assets:			
Invested in capital assets, net of related debt.	5,854,830	118,670	5,973,500
Restricted for:			
Capital projects	12,927,526	-	12,927,526
Debt service.	1,416,706	-	1,416,706
Classroom facilities maintenance	54,519	-	54,519
State funded programs	279	-	279
Federally funded programs	194	-	194
Student activities	119,919	-	119,919
Other purposes	66,483	-	66,483
Unrestricted (deficit)	<u>(192,120)</u>	<u>(52,817)</u>	<u>(244,937)</u>
Total net assets	<u>\$ 20,248,336</u>	<u>\$ 65,853</u>	<u>\$ 20,314,189</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 7,459,512	\$ 503,420	\$ 75,845	\$ -
Special	1,133,198	-	594,021	-
Support services:				
Pupil.	372,900	-	7,773	-
Instructional staff	148,010	-	17,505	-
Board of education	9,513	-	-	-
Administration.	1,101,471	-	69,391	-
Fiscal.	384,756	-	3,446	-
Business	18,434	-	-	-
Operations and maintenance.	1,285,104	22,183	9,363	-
Pupil transportation	409,060	-	26,652	11,501
Central.	362,562	90	64,152	-
Non-instructional services.	3,809	6,325	-	-
Extracurricular activities	647,279	470,932	51,485	-
Interest and fiscal charges.	331,850	-	-	-
Total governmental activities	<u>13,667,458</u>	<u>1,002,950</u>	<u>919,633</u>	<u>11,501</u>
Business-type activities:				
Food service	580,847	382,204	205,778	-
Total business-type activities	<u>580,847</u>	<u>382,204</u>	<u>205,778</u>	<u>-</u>
Totals	<u>\$ 14,248,305</u>	<u>\$ 1,385,154</u>	<u>\$ 1,125,411</u>	<u>\$ 11,501</u>

General revenues:

Property taxes levied for:
General purposes
Debt service.
Capital projects
Special revenue
Grants and entitlements not restricted to specific programs.
Grants and entitlements restricted for Ohio School Facilities Commission.
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (6,880,247)	\$ -	\$ (6,880,247)
(539,177)	-	(539,177)
(365,127)	-	(365,127)
(130,505)	-	(130,505)
(9,513)	-	(9,513)
(1,032,080)	-	(1,032,080)
(381,310)	-	(381,310)
(18,434)	-	(18,434)
(1,253,558)	-	(1,253,558)
(370,907)	-	(370,907)
(298,320)	-	(298,320)
2,516	-	2,516
(124,862)	-	(124,862)
(331,850)	-	(331,850)
<u>(11,733,374)</u>	<u>-</u>	<u>(11,733,374)</u>
-	7,135	7,135
-	7,135	7,135
<u>(11,733,374)</u>	<u>7,135</u>	<u>(11,726,239)</u>
3,754,962	-	3,754,962
527,369	-	527,369
260,983	-	260,983
50,656	-	50,656
6,785,684	-	6,785,684
13,007,310	-	13,007,310
123,027	-	123,027
3,612	-	3,612
<u>24,513,603</u>	<u>-</u>	<u>24,513,603</u>
12,780,229	7,135	12,787,364
<u>7,468,107</u>	<u>58,718</u>	<u>7,526,825</u>
<u>\$ 20,248,336</u>	<u>\$ 65,853</u>	<u>\$ 20,314,189</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and investments	\$ 1,371,079	\$ 3,825,127	\$ 3,713,598	\$ 8,909,804
Receivables:				
Taxes	3,790,873	-	791,909	4,582,782
Intergovernmental	-	12,185,618	28	12,185,646
Interfund receivable	31,413	-	-	31,413
Note receivable	-	-	7,667	7,667
Prepayments	15,021	-	-	15,021
Materials and supplies inventory	23,263	-	-	23,263
Restricted assets:				
Equity in pooled cash and investments	44,853	-	-	44,853
Total assets	<u>\$ 5,276,502</u>	<u>\$ 16,010,745</u>	<u>\$ 4,513,202</u>	<u>\$ 25,800,449</u>
Liabilities:				
Accounts payable	\$ 9,441	\$ 1,771	\$ 844	\$ 12,056
Accrued wages and benefits	745,736	-	50,965	796,701
Compensated absences payable	175,370	-	-	175,370
Pension obligation payable	264,050	-	-	264,050
Intergovernmental payable	30,740	-	2,157	32,897
Deferred revenue	45,962	12,185,618	8,280	12,239,860
Unearned revenue	3,235,470	-	654,362	3,889,832
Total liabilities	<u>4,506,769</u>	<u>12,187,389</u>	<u>716,608</u>	<u>17,410,766</u>
Fund balances:				
Reserved for encumbrances	37,573	764,043	34,235	835,851
Reserved for materials and supplies inventory	23,263	-	-	23,263
Reserved for prepayments	15,021	-	-	15,021
Reserved for property tax unavailable for appropriation	509,441	-	129,295	638,736
Reserved for debt service	-	-	1,425,028	1,425,028
Reserved for budget stablization	44,853	-	-	44,853
Reserved for note receivable	-	-	7,667	7,667
Unreserved:				
Designated for budget stabilization	420,290	-	-	420,290
Undesignated (deficit), reported in:				
General fund	(280,708)	-	-	(280,708)
Special revenue funds	-	-	117,733	117,733
Capital projects funds	-	3,059,313	2,082,636	5,141,949
Total fund balances	<u>769,733</u>	<u>3,823,356</u>	<u>3,796,594</u>	<u>8,389,683</u>
Total liabilities and fund balances	<u>\$ 5,276,502</u>	<u>\$ 16,010,745</u>	<u>\$ 4,513,202</u>	<u>\$ 25,800,449</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances		\$	8,389,683
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			10,130,107
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	54,214	
Intergovernmental receivable		12,185,646	
		12,239,860	
Total			12,239,860
Unamortized bond issuance costs are not recognized in the funds			83,458
Unamortized premiums on bond issuance are not recognized in the funds.			(275,475)
Unamortized deferred charges are not recognized in the funds.			192,016
In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, interest is accrued when due.			(95,720)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(933,091)	
Notes payable		(5,230,000)	
Capital lease obligation		(1,066,819)	
General obligation bonds payable		(3,185,683)	
		(10,415,593)	
Total			(10,415,593)
Net assets of governmental activities		\$	20,248,336

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 3,742,826	\$ -	\$ 834,896	\$ 4,577,722
Tuition.	420,116	-	6,325	426,441
Earnings on investments.	95,909	16,746	10,372	123,027
Extracurricular.	145,776	-	388,025	533,801
Other local revenues.	32,816	-	83,739	116,555
Intergovernmental - State.	6,888,921	821,692	312,432	8,023,045
Intergovernmental - Federal	-	-	445,230	445,230
Total revenues.	<u>11,326,364</u>	<u>838,438</u>	<u>2,081,019</u>	<u>14,245,821</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,225,744	-	132,379	7,358,123
Special.	678,333	-	428,840	1,107,173
Support services:				
Pupil.	334,580	-	9,037	343,617
Instructional staff	126,985	-	17,895	144,880
Board of education	9,513	-	-	9,513
Administration.	956,490	-	70,470	1,026,960
Fiscal	327,899	-	15,471	343,370
Business	18,434	-	-	18,434
Operations and maintenance.	936,454	-	318,114	1,254,568
Pupil transportation	445,165	-	448	445,613
Central.	280,401	-	81,882	362,283
Non-instructional services	894	-	3,019	3,913
Extracurricular activities.	216,899	-	354,740	571,639
Facilities acquisition and construction	-	215,306	-	215,306
Capital outlay	-	-	96,160	96,160
Debt service:				
Principal retirement	65,262	-	305,922	371,184
Interest and fiscal charges	50,538	-	174,321	224,859
Note issuance costs.	-	30,228	-	30,228
Total expenditures	<u>11,673,591</u>	<u>245,534</u>	<u>2,008,698</u>	<u>13,927,823</u>
Excess of revenues over (under) expenditures.	<u>(347,227)</u>	<u>592,904</u>	<u>72,321</u>	<u>317,998</u>
Other financing sources (uses):				
Transfers in	-	-	83,159	83,159
Transfers (out).	(83,159)	-	-	(83,159)
Premium on sale of notes	-	33,734	-	33,734
Sale of notes.	-	3,196,718	2,033,282	5,230,000
Capital lease transaction.	-	-	96,160	96,160
Total other financing sources (uses)	<u>(83,159)</u>	<u>3,230,452</u>	<u>2,212,601</u>	<u>5,359,894</u>
Net change in fund balances	(430,386)	3,823,356	2,284,922	5,677,892
Fund balances at beginning of year	<u>1,200,119</u>	<u>-</u>	<u>1,511,672</u>	<u>2,711,791</u>
Fund balances at end of year.	<u>\$ 769,733</u>	<u>\$ 3,823,356</u>	<u>\$ 3,796,594</u>	<u>\$ 8,389,683</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds	\$	5,677,892
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital asset additions	\$ 494,607	
Current year depreciation	<u>(494,457)</u>	
Total		150
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(8,714)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	16,248	
Intergovernmental	<u>12,185,618</u>	
Total		12,201,866
Proceeds of notes are recorded as revenue in the governmental funds, however, the proceeds increase long-term liabilities on the statement of net assets.		
		(5,230,000)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		371,184
In the statement of activities, interest expense is recognized as interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Increase in accrued interest payable	(84,520)	
Accreted interest on "capital appreciation" bonds	(25,978)	
Amortization of bond issue costs	(4,531)	
Amortization of bond premiums	14,958	
Amortization of deferred charges on refundings	<u>(10,426)</u>	
Total		(110,497)
The issuances of capital leases are recorded as revenue in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(96,160)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(25,492)</u>
Change in net assets of governmental activities	\$	<u>12,780,229</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2009

	Business-Type Activities - Nonmajor Enterprise Fund
Assets:	
Materials and supplies inventory	\$ 6,145
Total current assets	<u>6,145</u>
Noncurrent assets:	
Capital assets, net.	<u>118,670</u>
Total assets	<u>124,815</u>
Liabilities:	
Current liabilities:	
Accounts payable.	130
Accrued wages and benefits	15,563
Pension obligation payable.	5,518
Interfund loan payable	31,413
Intergovernmental payable	653
Total current liabilities	<u>53,277</u>
Non-current liabilities:	
Compensated absences	<u>5,685</u>
Total liabilities	<u>58,962</u>
Net assets:	
Invested in capital assets	118,670
Unrestricted (deficit)	(52,817)
Total net assets	<u>\$ 65,853</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Nonmajor Enterprise Fund
Operating revenues:	
Sales/charges for services	\$ 382,204
Total operating revenues	<u>382,204</u>
Operating expenses:	
Personal services	277,221
Purchased services.	8,357
Materials and supplies.	279,692
Depreciation	<u>15,577</u>
Total operating expenses	<u>580,847</u>
Operating loss.	<u>(198,643)</u>
Nonoperating revenues:	
Federal donated commodities	27,523
Grants and subsidies	<u>178,255</u>
Total nonoperating revenues	<u>205,778</u>
Change in net assets.	7,135
Net assets at beginning of year.	<u>58,718</u>
Net assets at end of year	<u><u>\$ 65,853</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Business-Type Activities - Nonmajor Enterprise Fund
Cash flows from operating activities:	
Cash received from sales/charges for services.	\$ 382,204
Cash payments for personal services.	(276,438)
Cash payments for contractual services	(10,066)
Cash payments for materials and supplies	(246,708)
Net cash used in operating activities	(151,008)
Cash flows from noncapital financing activities:	
Cash received from grants and subsidies	178,255
Cash received from interfund loans	31,413
Cash used in repayment of interfund loans.	(54,912)
Net cash provided by noncapital financing activities.	154,756
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(3,748)
Net cash used in capital and related financing activities.	(3,748)
Cash and investments at beginning of year	-
Cash and investments at end of year	\$ -

-- continued

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND (CONTINUED)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (SEE ACCOUNTANT'S COMPILATION REPORT)

		Business-Type Activities - Nonmajor Enterprise Fund <hr style="border: 0.5px solid black;"/>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$	(198,643)
Adjustments:		
Depreciation.		15,577
Federal donated commodities		27,523
Changes in assets and liabilities:		
Decrease in materials and supplies inventory		5,461
Increase in accounts payable.		130
Increase in accrued wages and benefits		3,374
Decrease in intergovernmental payable.		(18)
Decrease in compensated absences payable.		(1,839)
Decrease in pension obligation payable.		(2,573)
		<hr style="border: 0.5px solid black;"/>
Net cash used in operating activities	\$	<u>(151,008)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency</u>
Assets:	
Equity in pooled cash and investments	\$ 25,345
Total assets.	<u>\$ 25,345</u>
Liabilities:	
Due to students	\$ 25,345
Total liabilities	<u>\$ 25,345</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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 355th largest in the State of Ohio among 922 public and community school districts in Ohio. It is staffed by 48 non-certified employees and 91 certified full-time teaching personnel who provide services to 1,516 students and other community members. The District currently operates 4 instructional buildings, 1 administrative building, 1 athletic complex and 1 bus garage.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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 thirty-eight 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, Jay Valasek, Treasurer of Vanguard-Sentinel Vocational Schools, at 1306 Cedar Street, Fremont, Ohio 43420.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

B. Fund Accounting

The District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

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

Classroom facilities - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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. The District has one enterprise fund to account for food service operations. This enterprise fund is considered a nonmajor enterprise fund.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into three classifications: investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) they service the District's student activities, and do not involve measurement of results of operations.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

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

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period, including delinquent property taxes due at June 30, 2009, are recorded as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2009 is as follows:

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Ottawa County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the original and final certificates of estimated resources issued for fiscal year 2009.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the legal level of budgetary control for a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds, consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2009.
9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During fiscal year 2009, investments were limited to a U.S. Treasury Bill and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments are reported at fair value.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$95,909 which includes \$72,080 assigned from other District funds.

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

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories consist of donated food, purchased food, and non-food supplies held for resale and are expensed when used.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the enterprise fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the respective fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$500. Donated capital assets are recorded at their fair market values as of the date received. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is not capitalized.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Land improvements	5 - 30 years	N/A
Buildings and improvements	8 - 50 years	N/A
Furniture/equipment	4 - 20 years	5 - 20 years
Vehicles	5 - 20 years	N/A

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probably that the benefits will result in termination (severance) benefits. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for sick leave on employees expected to become eligible to retire in the future, all employees who were within five years of becoming eligible to retire under STRS and SERS were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

In the governmental fund financial statements, compensated absences are reported to the extent that a known liability for an employee’s retirement/resignation has been incurred by fiscal year end. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees are paid. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the proprietary fund are reported on the proprietary fund financial statements.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

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

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

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

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

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

M. Fund Balance Reserves and Designations

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, material and supplies, prepayments, property taxes unavailable for appropriation, debt service, budget stabilization and for notes receivable. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under state statute. A fund balance designation is reported for amounts set-aside by the District for budget stabilization.

N. Net Assets

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

O. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the financial statements using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set-aside to create a reserve for budget stabilization. See Note 16 for details.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILTY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
EMIS	\$ 609
Public preschool	20
Title VI-B	24,813
Title I	22,217
Title VI-B	7
Classroom reduction grant	4,979

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS - (Continued)

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

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

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$8,685,592. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$5,601,237 of the District's bank balance of \$8,741,812 was exposed to custodial risk as discussed below, while \$3,140,575 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> <u>6 months or less</u>
U.S. Treasury bill	\$ 249,937	\$ 249,937
STAR Ohio	44,473	44,473
Total	<u>\$ 294,410</u>	<u>\$ 294,410</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bill is exposed to custodial credit risk in that it is uninsured, unregistered and held by the counterparty's trust department or agent, but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009.

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
U.S. Treasury bill	\$ 249,937	84.89
STAR Ohio	<u>44,473</u>	<u>15.11</u>
Total	<u>\$ 294,410</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 8,685,592
Investments	<u>294,410</u>
Total	<u>\$ 8,980,002</u>

<u>Cash and cash equivalents per statement of net assets</u>	
Governmental activities	\$ 8,954,657
Agency	<u>25,345</u>
Total	<u>\$ 8,980,002</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statement:

<u>Receivable enterprise fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor funds	<u>\$ 31,413</u>

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

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

- B.** Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	<u>\$ 83,159</u>

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

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

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, 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.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. 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 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 2009 were levied after October 1, 2008, on the value as of December 31, 2008. 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 County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$509,441 in the general fund, \$10,588 in the classroom facilities maintenance fund (a nonmajor governmental fund), \$82,586 in the bond retirement fund (a nonmajor governmental fund) and \$36,121 in the permanent improvement fund (a nonmajor governmental fund). These amounts are recorded as revenue. The amount available for advance at June 30, 2008 was \$490,886 in the general fund, \$55,861 in the bond retirement fund (a nonmajor governmental fund), and \$34,455 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 161,802,690	96.37	\$ 163,625,080	97.30
Public utility personal	4,403,040	2.63	4,203,110	2.50
Tangible personal property	<u>1,683,060</u>	<u>1.00</u>	<u>333,025</u>	<u>0.20</u>
Total	<u>\$ 167,888,790</u>	<u>100.00</u>	<u>\$ 168,161,215</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$66.80		\$68.40	

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 7 - RECEIVABLES

- A.** Receivables at June 30, 2009 consisted of taxes, intergovernmental and notes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Taxes - current and delinquent	\$ 4,582,782
Intergovernmental	12,185,646
Notes	<u>7,667</u>
Total receivables	<u>\$ 16,776,095</u>

Receivables have been disaggregated on the face of the financial statements. All receivables, except for \$12,185,646 of intergovernmental grants due from the Ohio School Facilities Commission (OSFC) and the notes receivable, are expected to be collected in the subsequent year. The OSFC grant amount will be collected over the life of the construction project.

- B.** The District sold the administrative building located in the Village of Clay Center to the Village of Clay Center for \$73,500 on June 30, 2003. The Village made a down payment of \$30,000 to the District and makes annual payments for the balance of \$43,500 over ten years. As of June 30, 2009, the balance remaining on the note was \$7,667, which is presented as a note receivable on the statement of net assets.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2009</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 448,787	\$ -	\$ -	\$ 448,787
Construction in progress	<u>-</u>	<u>213,534</u>	<u>-</u>	<u>213,534</u>
Total capital assets, not being depreciated	<u>448,787</u>	<u>213,534</u>	<u>-</u>	<u>662,321</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,771,234	17,433	-	1,788,667
Buildings and improvements	13,330,199	37,601	-	13,367,800
Furniture and equipment	2,480,596	147,026	-	2,627,622
Vehicles	<u>1,192,013</u>	<u>79,013</u>	<u>(87,143)</u>	<u>1,183,883</u>
Total capital assets, being depreciated	<u>18,774,042</u>	<u>281,073</u>	<u>(87,143)</u>	<u>18,967,972</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(741,402)	(86,657)	-	(828,059)
Buildings and improvements	(5,500,158)	(252,761)	-	(5,752,919)
Furniture and equipment	(1,850,552)	(125,080)	-	(1,975,632)
Vehicles	<u>(992,046)</u>	<u>(29,959)</u>	<u>78,429</u>	<u>(943,576)</u>
Total accumulated depreciation	<u>(9,084,158)</u>	<u>(494,457)</u>	<u>78,429</u>	<u>(9,500,186)</u>
Governmental activities capital assets, net	<u>\$ 10,138,671</u>	<u>\$ 150</u>	<u>\$ (8,714)</u>	<u>\$ 10,130,107</u>
Business-type activities:				
<i>Capital assets, being depreciated:</i>				
Furniture and equipment	\$ 335,436	\$ 3,748	\$ -	\$ 339,184
Total capital assets being depreciated	<u>335,436</u>	<u>3,748</u>	<u>-</u>	<u>339,184</u>
<i>Less: accumulated depreciation:</i>				
Furniture and equipment	<u>(204,937)</u>	<u>(15,577)</u>	<u>-</u>	<u>(220,514)</u>
Total accumulated depreciation	<u>(204,937)</u>	<u>(15,577)</u>	<u>-</u>	<u>(220,514)</u>
Business-type activities capital assets, net	<u>\$ 130,499</u>	<u>\$ (11,829)</u>	<u>\$ -</u>	<u>\$ 118,670</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 218,223
Support services:	
Instructional staff	1,815
Administration	28,278
Fiscal	36,156
Operations and maintenance	82,885
Pupil transportation	29,959
Extracurricular	<u>97,141</u>
Total depreciation expense	<u>\$ 494,457</u>

Depreciation expense was charged to business type functions as follows:

Food service operations	<u>\$ 15,577</u>
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NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During the current fiscal year and in a prior fiscal year, 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. During the current fiscal year, the District entered into a lease for computer equipment. 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 basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of the District's central office, computer equipment, weight equipment, athletic complex and sign, football stadium have been capitalized and are included in the District's capital assets. The amounts capitalized represent the present value of the future minimum lease payments at the time of acquisition. The capitalized cost associated with the buildings and building improvements is \$2,007,313 and furniture and equipment is \$197,382. Accumulated depreciation at June 30, 2009 on the buildings and building improvements and equipment was \$1,075,383 and \$60,226, respectively, resulting in a carrying value of \$931,930 and \$137,156, respectively.

A corresponding liability is recorded in the government-wide financial statements. Principal and interest payments in the 2009 fiscal year totaled \$231,184 and \$83,227, respectively. These amounts are reported as debt service payments of the general fund and nonmajor governmental funds.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

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, 2009:

Year Ending June 30	Amount
2010	\$ 267,960
2011	250,883
2012	248,571
2013	140,490
2014	115,800
2015 - 2017	299,150
Total minimum lease payment	1,322,854
Less: amount representing interest	(256,035)
Present value of minimum lease payments	\$ 1,066,819

NOTE 10 - LONG-TERM OBLIGATIONS

A. During fiscal year 2009, the following changes occurred in governmental and business-type activities long-term obligations:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Amount Due in One Year
Governmental activities:					
General obligation refunding bonds payable - Series 2006	\$ 2,915,000	\$ -	\$ (40,000)	\$ 2,875,000	\$ 45,000
Capital appreciation bonds	34,999	-	-	34,999	-
Accreted interest	34,706	25,978	-	60,684	-
General obligation bonds payable - Series 1999	315,000	-	(100,000)	215,000	105,000
OSFC bond anticipation notes	-	5,230,000	-	5,230,000	5,230,000
Compensated absences payable	975,197	237,228	(103,964)	1,108,461	287,766
Capital lease obligation	1,201,843	96,160	(231,184)	1,066,819	195,065
Total governmental activities long-term liabilities	\$ 5,476,745	\$ 5,589,366	\$ (475,148)	10,590,963	\$ 5,862,831
Add: unamortized premium				275,475	
Less: deferred amount on refunding				(192,016)	
				\$ 10,674,422	

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

	Balance			Balance	Amount
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due in</u>
					<u>One Year</u>
Business-type activities:					
Compensated absences	\$ 7,524	\$ -	\$ (1,839)	\$ 5,685	\$ -
Total business-type	<u>\$ 7,524</u>	<u>\$ -</u>	<u>\$ (1,839)</u>	<u>\$ 5,685</u>	<u>\$ -</u>

Compensated absences: Compensated absences will be paid from the fund from which the employee's salaries are paid, primarily the general fund and food service fund (a nonmajor major enterprise fund).

Capital lease obligation: The capital lease obligation will be paid from the general fund and nonmajor governmental funds. See Note 9 for details.

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. Accordingly, such unmatured obligations of the District are accounted for in the statement of net assets. Payments of principal and interest relating to these bonds are recorded as an expenditure in the debt service fund (a nonmajor governmental fund). The source of payment is derived from a current 3.15 (average) mill bonded permanent improvement tax levy.

During fiscal year 2006, \$3,070,000 of these current interest bonds were refunded and the District paid \$100,000 in principal during 2009 on the non-refunded portion of the bonds.

The following is a schedule of activity for fiscal year 2009 on the 1999 series general obligation bonds:

	Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>
Current interest bonds	<u>\$ 315,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 215,000</u>
Total G.O. bonds	<u>\$ 315,000</u>	<u>\$ -</u>	<u>\$ (100,000)</u>	<u>\$ 215,000</u>

<u>Year Ended</u>	<u>Current Interest Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 105,000	\$ 8,938	\$ 113,938
2011	<u>110,000</u>	<u>3,025</u>	<u>113,025</u>
Total	<u>\$ 215,000</u>	<u>\$ 11,963</u>	<u>\$ 226,963</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** 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) and accordingly, has been removed from the statement of net assets.

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. Total accreted interest of \$60,684 has been included in the statement of activities.

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 schedule of activity for fiscal year 2009 on the 2006 refunding bonds:

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2009</u>	Amount due <u>in one year</u>
Current interest bonds	\$ 2,915,000	\$ -	\$ (40,000)	\$ 2,875,000	\$ 45,000
Capital appreciation bonds	34,999	-	-	34,999	-
Accreted interest	34,706	25,978	-	60,684	-
Total refunding bonds	<u>\$ 2,984,705</u>	<u>\$ 25,978</u>	<u>\$ (40,000)</u>	<u>\$ 2,970,683</u>	<u>\$ 45,000</u>

The following is a summary of the future debt service requirements to maturity for the 2006 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>
2010	\$ 45,000	\$ 115,730	\$ 160,730	\$ -	\$ -	\$ -
2011	45,000	114,099	159,099	-	-	-
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 - 2019	545,000	472,301	1,017,301	19,610	335,390	355,000
2020 - 2024	1,075,000	290,033	1,365,033	-	-	-
2025 - 2028	835,000	60,663	895,663	-	-	-
Total	<u>\$ 2,875,000</u>	<u>\$ 1,368,029</u>	<u>\$ 4,243,029</u>	<u>\$ 34,999</u>	<u>\$ 495,001</u>	<u>\$ 530,000</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. On December 22, 2008, the District issued \$5,230,000 in bond anticipation notes to begin a school facilities construction and improvement project. The notes mature on September 22, 2009 and bear an interest rate of 3.125%. The notes will be retired from the debt service fund (a nonmajor governmental fund) using the proceeds from the District's \$5,229,797 bond issue (See Note 17). In accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expected to be Refinanced", the bond anticipation notes were classified as long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued. Note proceeds of \$5,230,000 remain unspent at June 30, 2009 and are therefore not included in the District's calculation of "invested in capital assets, net of related debt".

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$13,464,355 (including available funds of \$1,507,614) and an unvoted debt margin of \$167,575.

NOTE 11 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. Classified employees earn days of vacation depending upon contract. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave is accumulated to a maximum of 280 days for certified and administrative employees and 210 days for classified employees. Upon retirement, payment is made for thirty-five percent of total sick leave accumulation for certified and administrative employees to a maximum of eighty-five days and thirty-three percent of total sick leave accumulation for classified employees to a maximum of seventy days. An employee receiving such payment must meet the retirement provisions set by STRS Ohio and SERS.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 11 - EMPLOYEE BENEFITS - (Continued)

B. Group Health Insurance

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

NOTE 12 - 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 and the Ottawa County Education Center. 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.

A third party, 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, 2009, the Pool has cash reserves (reserve account balance) of \$1,779,200, 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 \$1,015,000 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 Vanguard, 1306 Cedar Street, Fremont, OH 43420.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT - (Continued)

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 Sheakley UniService, Inc. provides administrative, cost control, assistance with safety programs, and actuarial services to the Plan.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$112,297, \$110,861 and \$119,646, respectively; 41.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$800,584, \$787,678 and \$781,261, respectively; 83.10 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$15,022 made by the District and \$30,465 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$78,126, \$77,506 and \$66,756, respectively; 41.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$9,265, \$7,988 and \$8,136, respectively; 41.79 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$61,583, \$60,951 and \$60,097, respectively; 83.10 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>	
			<u>Designated</u>	<u>Reserved</u>
Set-aside balance as of June 30, 2008	\$ (439,807)	\$ -	\$ 420,290	\$ 44,853
Current year set-aside requirement	239,700	239,700	-	-
Current year offsets	-	(258,458)	-	-
Qualifying disbursements	<u>(283,280)</u>	<u>(489,632)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ (483,387)</u>	<u>\$ (508,390)</u>	<u>\$ 420,290</u>	<u>\$ 44,853</u>
Balance carried forward to fiscal year 2010	<u>\$ (483,387)</u>	<u>\$ -</u>	<u>\$ 420,290</u>	<u>\$ 44,853</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 16 - STATUTORY RESERVES - (Continued)

The District had offsets and qualifying disbursements during the year that reduced the instructional materials set-aside amount below zero; this extra amount is being carried forward to reduce the set-aside requirements of future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital maintenance set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements of future years. This negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for budget stabilization	<u>\$ 44,853</u>
--	------------------

NOTE 17 - SIGNIFICANT SUBSEQUENT EVENTS

On July 9, 2009, the District issued \$5,229,797 of school facilities construction and improvement bonds. The proceeds of these bonds were used to retire the \$5,230,000 bond anticipation notes discussed in Note 10.C. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. These bonds bear interest rates ranging from 3.00% to 4.00%. The final stated maturity on this issue is December 1, 2036.

REQUIRED SUPPLEMENTARY INFORMATION

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,741,721	\$ 3,724,167	\$ 3,724,271	\$ 104
Tuition.	422,085	420,104	420,116	12
Earnings on investments.	96,358	95,907	95,909	2
Extracurricular.	146,459	145,772	145,776	4
Other local revenues	32,970	32,815	32,816	1
Intergovernmental - State	6,921,199	6,888,728	6,888,921	193
Total revenues.	<u>11,360,792</u>	<u>11,307,493</u>	<u>11,307,809</u>	<u>316</u>
Expenditures:				
Current:				
Instruction:				
Regular	7,366,095	7,357,180	7,231,013	126,167
Special.	680,750	679,926	668,266	11,660
Support services:				
Pupil.	335,911	335,504	329,751	5,753
Instructional staff	127,877	127,722	125,532	2,190
Board of education	9,939	9,927	9,757	170
Administration.	968,003	966,832	950,252	16,580
Fiscal	330,354	329,954	324,296	5,658
Business	18,778	18,756	18,434	322
Operations and maintenance.	978,330	977,146	960,389	16,757
Pupil transportation	439,951	439,419	431,883	7,536
Central.	285,285	284,939	280,053	4,886
Operation of non-instructional services	911	910	894	16
Extracurricular activities.	210,859	210,604	206,992	3,612
Total expenditures	<u>11,753,043</u>	<u>11,738,819</u>	<u>11,537,512</u>	<u>201,307</u>
Excess of expenditures over revenues	<u>(392,251)</u>	<u>(431,326)</u>	<u>(229,703)</u>	<u>201,623</u>
Other financing sources (uses):				
Transfers (out)	(84,712)	(84,610)	(83,159)	1,451
Advances in.	139,208	138,555	138,559	4
Advances (out)	(32,000)	(31,961)	(31,413)	548
Total other financing sources (uses)	<u>22,496</u>	<u>21,984</u>	<u>23,987</u>	<u>2,003</u>
Net change in fund balance	(369,755)	(409,342)	(205,716)	203,626
Fund balance at beginning of year	1,550,155	1,550,155	1,550,155	-
Prior year encumbrances appropriated	28,403	28,403	28,403	-
Fund balance at end of year	<u>\$ 1,208,803</u>	<u>\$ 1,169,216</u>	<u>\$ 1,372,842</u>	<u>\$ 203,626</u>

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

The adjustments necessary to convert the changes in financial position/fund balance for the year on the budget basis to the GAAP basis for the general fund are as follows:

Net Change in Fund Balance

	General Fund
Budget basis	\$ (205,716)
Net adjustment for revenue accruals	18,555
Net adjustment for expenditure accruals	(179,169)
Net adjustment for other sources/uses	(107,146)
Adjustment for encumbrances	43,090
GAAP basis	\$ (430,386)

GENOA AREA LOCAL SCHOOL DISTRICT

Ottawa County
Schedule of Federal Awards Expenditures
For the Year Ending June 30, 2009

Federal Grantor/Pass Through Grantor Number/Program Title	Pass-through entity number	CFDA Number	Federal Receipts	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Nutrition Cluster:				
Pass through Ohio Department of Education				
Cash Assistance:				
National School Lunch Program	04892-LLP4-2009	10.555	\$ 155,996	\$ 155,996
Breakfast Program	04892-05PU-2009	10.553	17,773	17,773
Direct Program:				
Non-Cash Assistance:				
National School Lunch Program - Note 2	N/A	10.555	<u>27,523</u>	<u>27,523</u>
Total Nutrition Cluster			<u>201,292</u>	<u>201,292</u>
Total U.S. Department of Agriculture			201,292	201,292
<u>U.S. Department of Education</u>				
Pass through Ohio Department of Education				
ESEA Title I, Part A, Title I Grants to Local Education Agencies				
Title I - Targeted Asst. FY 08	04892-C1S1-2008	84.010	980	980
Title I - Targeted Asst. FY 09	04892-C1S1-2009	84.010	<u>113,457</u>	<u>113,457</u>
Total Title I			114,437	114,437
Title VI - B, Special Education - Assistance to States for Education of Handicapped Children				
Title VI - B - FY 08	04892-6BSF-2008	84.027	51,362	51,362
Title VI - B - FY 09	04892-6BSF-2009	84.027	<u>265,028</u>	<u>265,028</u>
Total Title VI-B			316,390	316,390
Drug - Free School Grant - FY09	04892-DRS1-2009	84.186	3,668	3,668
Innovative Education Program Strategies				
Innovative Education Program Strategies - FY08	04892-C2S1-2008	84.298	1,338	1,338
Innovative Education Program Strategies - FY09	04892-C2S1-2009	84.298	<u>1,131</u>	<u>1,131</u>
Total Innovative Education Strategies			2,469	2,469
Title II-D				
Title II-D Technology - FY08	04892-TJS1-2008	84.318	28	-
Title II-D Technology - FY09	04892-TJS1-2009	84.318	<u>1,063</u>	<u>1,063</u>
Total Title II-D			1,091	1,063
Title II-A				
Title II-A Improv. Teacher Quality - FY08	04892-TRS1-2008	84.367	8,737	8,737
Title II-A Improv. Teacher Quality - FY09	04892-TRS1-2009	84.367	<u>55,578</u>	<u>55,578</u>
Total Title II-A Improving Teacher Quality			<u>64,315</u>	<u>64,315</u>
Total U.S. Department of Education			<u>502,370</u>	<u>502,342</u>
Total Federal Expenditures			<u>\$ 703,662</u>	<u>\$ 703,634</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures

GENOA AREA LOCAL SCHOOL DISTRICT
Ottawa County, Ohio
Notes to the Federal Awards Expenditure Schedule
For the Year Ended June 30, 2009

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2009, the District had immaterial food commodities in inventory.

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the remaining fund information of the Genoa Area Local School District (the "District") as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued a report thereon dated December 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

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

Compliance and Other Matters

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

We noted certain matters that we have reported to management of the District in a separate letter dated December 30, 2009.

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

Charles E. Harris & Associates, Inc.

December 30, 2009

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Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Genoa Area Local School District, Ottawa County (District), with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2009. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Charles E. Harris & Associates, Inc.

December 30, 2009

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
June 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other significant deficiencies reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other significant deficiencies reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Special Education - Grants to States CFDA# 84.027 Title I CFDA# 84.01
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - continued
OMB CIRCULAR A-133 SECTION .505

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
June 30, 2009

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.

**GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009**

FINDING NUMBER	FUNDING SUMMARY	FULLY CORRECTED?	Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-GASD-01	Restatement of capital assets	Yes	No Longer Valid

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INDEPENDENT ACCOUNTANT’S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

To the Board of Education:

Ohio Revised 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 Ohio Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of the any anti-harassment policy adopted by a school district or community school.”

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

1. We noted that the Board adopted an anti-harassment policy at its meeting on February 21, 2006.
2. We read the policy, noting it included the following requirements for Ohio Revised Code Section 3313.666 (B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any students on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident to be notified and, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any report incidents;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure from any student guilty of harassment, intimidation or bullying, which shall not infringe on any student’s rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all report incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the “Family Educational Rights and Privacy Act of 1974,” 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Charles E. Harris & Associates, Inc.

December 30, 2009



Mary Taylor, CPA
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
MARCH 16, 2010