

Ashtabula Area City School District

**Basic Financial Statements
June 30, 2007**



Mary Taylor, CPA
Auditor of State

Board of Education
Ashtabula Area City School District
401 West 44th Street
Ashtabula, Ohio 44004

We have reviewed the *Independent Auditors' Report* of the Ashtabula Area City School District, Ashtabula County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2006 through June 30, 2007. 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 Ashtabula Area City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 9, 2008

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Ashtabula Area City School District
For the Fiscal Year Ended June 30, 2007
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Independent Auditors' Report

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, the District restated the July 1, 2006 Fund Balances due to reclassification of expenditures.

Board of Education
Ashtabula Area City School District

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2008 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Cini & Panichi, Inc.

Cleveland, Ohio
November 26, 2008

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The discussion and analysis of the Ashtabula Area City School District (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Total net assets of governmental activities increased \$8,521,043, which represents a 37.8 percent increase from 2006.
- Total general revenues equaled \$47,760,363 or 85 percent of all revenues. Program specific revenues in the form of charges for services, and operating grants, contributions and interest accounted for \$8,719,660 or 15 percent of total revenues.
- Total assets of governmental activities increased by \$5,274,224, due largely to activity in the Classroom Facilities Fund—unspent proceeds of monies received from Ohio Schools Facilities Commission.
- The District had \$46,616,832 in expenses related to governmental activities; \$8,719,660 of these expenses was offset by program specific charges for services, grants, contributions and interest.
- The general fund balance was \$1,887,181 at fiscal year end, decreased from \$2,980,554 on June 30, 2006.
- Outstanding debt was decreased from a balance of \$40,888,657 in 2006 to \$40,093,861; and the accretion balance on the capital asset appreciation bonds decreased from \$1,397,275 to \$1,046,414.

Using this Annual Financial Report

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 and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the District, the general fund is by far the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2007?" The *Statement of Net Assets and the Statement of Activities* answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 program and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the District's activities are classified as governmental. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food services and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The presentation of the District's major funds begins on page 13. 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, bond retirement fund, permanent improvement fund, the construction 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 known as modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the *Statement of Net Assets and the Statement of Activities*) and governmental funds is reconciled in the financial statements.

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The District as a Whole

The statement of net assets provides the perspective of the School District as a whole. The District's total net assets decreased slightly from a year ago, as shown in Table 1. The District was able to maintain its financial health while addressing stagnant revenues, slow federal reimbursements and rising costs.

Table 1 provides a summary of the School District's net assets for 2007 compared to 2006:

Table 1		
Net Assets		
Governmental Activities		
	2007	2006
<u>Assets</u>		
Current and Other Assets	\$ 36,361,483	\$ 33,113,983
Capital Assets	53,412,562	51,385,838
Total Assets	89,774,045	84,499,821
<u>Liabilities</u>		
Current and Other Liabilities	13,900,823	15,882,761
Long-Term Liabilities:		
Due Within One Year	2,345,612	2,401,514
Due In More Than One Year	42,456,259	43,665,238
Total Liabilities	58,702,694	61,949,513
<u>Net Assets</u>		
Invested in Capital Assets, Net of Debt	12,815,559	10,074,783
Restricted	17,555,305	11,500,345
Unrestricted	700,487	975,180
Total Net Assets	\$ 31,071,351	\$ 22,550,308

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Table 2 shows the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

Table 2
Change in Net Assets

	Governmental <u>Activities</u>	
	2007	2006
Revenues		
Program Revenues:		
Charges for Services	\$ 463,217	\$ 476,740
Operating Grants, Contributions and Interest	8,256,443	7,988,521
Capital Grants, Contributions and Interest	-	40,576
Total Program Revenues	<u>8,719,660</u>	<u>8,505,837</u>
General Revenues:		
Property Taxes	14,977,770	16,277,332
Grants and Entitlements	31,193,344	21,579,048
Interest	1,086,129	1,162,948
Other	503,120	450,402
Total General Revenues	<u>47,760,363</u>	<u>39,469,730</u>
Total Revenues	<u>56,480,023</u>	<u>47,975,567</u>
Program Expenses		
Instruction:		
Regular	20,514,893	19,360,815
Special	6,157,158	6,491,391
Vocational	226,753	265,107
Other Instruction	1,105,385	383,378
Support Services	13,456,767	14,014,632
Operation of Non-Instructional Services	1,704,834	1,505,182
Extra-curricular Activities	719,366	627,186
Facilities Acquisition and Construction	764,597	261,265
Interest and Fiscal Charges	1,967,079	2,112,986
Total Program Expenses	<u>46,616,832</u>	<u>45,021,942</u>
Changes in Net Assets before Special Item	9,863,191	2,953,625
Special Item	(1,342,148)	-
Changes in Net Asset	<u>\$ 8,521,043</u>	<u>\$ 2,953,625</u>

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Analysis of Overall Financial Position and Results of Operation

The DeRolph III decision has not eliminated the dependence on property taxes. During the year, property taxes comprised 27 percent of the operating revenue. The District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs.

Instruction comprises 60 percent of governmental program expenses. Historically, the School District has promoted the excellence of the educational program by allocation of resources in the instructional area.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 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 entitlements.

Table 3
Total and Net Cost of Program Services for 2007

	Governmental Activities	
	Total Cost	Net Cost
Instruction	\$ 28,004,189	\$ 23,349,968
Support Services:		
Pupils	2,370,073	1,645,762
Instructional Staff	1,368,210	562,470
Board of Education	227,382	226,596
Administration	2,614,430	2,398,375
Fiscal	840,326	779,172
Business	648,785	640,687
Operation & Maintenance of Plant	3,808,583	3,798,821
Pupil Transportation	1,508,249	1,441,093
Central	70,729	(25,684)
Operation of Non-Instructional Services	1,704,834	(216,773)
Extra-curricular Activities	719,366	565,009
Facilities Acquisition and Construction	764,597	764,597
Interest and Fiscal Charges	1,967,079	1,967,079
 Total Expenses	 <u>\$ 46,616,832</u>	 <u>\$ 37,897,172</u>

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

The District's Funds

As previously stated, governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$56,413,806, expenditures of \$51,579,108, and net other financing sources and uses of \$162,177. The net change in fund balance for the year was most significant in the Classroom Facilities Fund, where the fund balance increased by \$7,964,449 due to revenues being received for the District's project with the Ohio Schools Facilities Commission.

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 2007, the District amended its general fund budget periodically as defined by individual team needs.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2007 the District had \$53,412,562 invested in land, buildings, equipment, and vehicles. Table 4 shows fiscal 2007 balances compared to 2006.

Table 4
Capital Assets at June 30
(Net of Depreciation)

	Governmental Activities	
	2007	2006 Adjusted
Land	\$ 375,228	\$ 350,351
Construction in Progress	1,148,173	41,342,107
Other Improvements	399,208	482,739
Buildings	46,926,889	4,870,348
Furniture and Equipment	2,885,895	2,917,149
Vehicles	905,288	822,589
Textbooks	771,881	600,555
Totals	<u>\$ 53,412,562</u>	<u>\$ 51,385,838</u>

The majority of the increase was the result of the continuation of the capital improvement and construction program.

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Debt

At June 30, 2007, the District had bonds and notes outstanding. Table 5 summarizes debt outstanding.

Table 5
Outstanding Debt at Year End

	Governmental Activities	
	2007	2006
2004 School Construction and Improvement		
General Obligation Bonds:		
Serial Bonds	\$ 39,340,000	\$ 39,760,000
Capital Appreciation Bonds	753,861	1,128,657
Accretion on Capital Appreciation Bonds	1,046,414	1,397,275
Total	\$ 41,150,275	\$ 42,285,932

Current Issues Affecting Financial Condition

Schools in Ohio are funded by the state and federal government and by local property taxes. Local money is necessary in Ashtabula, just as it is throughout the state to keep the schools running.

Another challenge facing the District is the future of State funding. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional. The Ohio General Assembly was directed to enact a school-funding mechanism that is to be thorough and efficient. The District is unable to determine what effect, if any, this decision will have on future funding from the State. Due to the unsettled issues in the school funding, management is required to plan carefully and prudently to provide the resources to meet student needs over the next several years.

Since 1990, the school system has had only one new operating levy. This 5-mill levy was passed in November of 2000, for a period of three years. This operating levy was replaced by a 5 mill continuing levy approved by the electorate in August, 2003.

In 2001, Ashtabula and Harbor High Schools were consolidated to form the new Lakeside High School. In May of 2002, the community passed a bond issue that, in combination with monies from the State of Ohio, will provide new schools throughout the district. The State has committed to fund 70% of the total project cost that meet the standards established by the Ohio Schools Facilities Commission. Other portions of the project are funded completely with local funds that were approved by the voters. The Locally Funded Initiatives, as they are called, include a Performing Arts Center, Large Group Instruction Area, and an Athletic Complex.

The first school to be built is a new high school located on Sanborn Road in Saybrook Township. The new building, stadium and other athletic fields were put into service at the end of August, 2006. Construction work on the new junior high school began in early 2006; and site studies are being performed for the new elementary buildings.

Ashtabula Area City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2007

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer, Ashtabula Area City School District, 401 West 44th Street, Ashtabula, Ohio 44005, or telephone (440) 993-2505.

Ashtabula Area City School District

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 21,224,852
Accounts Receivable	313,610
Intergovernmental Receivable	750,243
Materials and Supplies Inventory	66,771
Property Taxes Receivable	14,005,454
Restricted Assets:	
Equity in Pooled Cash and Cash Equivalents	553
Nondepreciable Capital Assets	1,523,401
Depreciable Capital Assets, Net	<u>51,889,161</u>
<i>Total Assets</i>	<u>89,774,045</u>
Liabilities	
Accounts Payable	517,184
Accrued Wages and Benefits	3,063,542
Intergovernmental Payable	1,507,936
Accrued Interest Payable	146,790
Matured Compensated Absence Payable	232,910
Claims Payable	1,248,600
Retainage Payable	822,107
Deferred Revenue	6,361,754
Long-Term Liabilities:	
Due Within One Year	2,345,612
Due In More Than One Year	<u>42,456,259</u>
<i>Total Liabilities</i>	<u>58,702,694</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	12,815,559
Restricted for:	
Setasides	553
Capital Projects	13,561,372
Debt Service	2,835,991
Other Purposes	1,157,389
Unrestricted	<u>700,487</u>
<i>Total Net Assets</i>	<u>\$ 31,071,351</u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Program Revenues			Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Revenue and Changes Changes in Net Assets
Governmental Activities				Governmental Activities
Instruction:				
Regular	\$ 20,514,893	\$ 973	\$ 2,228,132	\$ (18,285,788)
Special	6,157,158	-	1,703,558	(4,453,600)
Vocational	226,753	-	-	(226,753)
Other Instruction	1,105,385	-	721,558	(383,827)
Support Services:				
Pupil	2,370,073	-	724,311	(1,645,762)
Instructional Staff	1,368,210	-	805,740	(562,470)
Board of Education	227,382	-	786	(226,596)
Administration	2,614,430	-	216,055	(2,398,375)
Fiscal	840,326	-	61,154	(779,172)
Business	648,785	-	8,098	(640,687)
Operation and Maintenance	3,808,583	-	9,762	(3,798,821)
Pupil Transportation	1,508,249	6,138	61,018	(1,441,093)
Central	70,729	-	96,413	25,684
Operation of Non-Instructional Services:				
Food Service Operations	1,307,921	349,651	1,269,621	311,351
Other Non-instructional Services	396,913	-	302,335	(94,578)
Extracurricular Activities	719,366	106,455	47,902	(565,009)
Facilities Acquisition and Construction Services	764,597	-	-	(764,597)
Interest and Fiscal Charges	1,967,079	-	-	(1,967,079)
 <i>Total Governmental Activities</i>	 <u>\$ 46,616,832</u>	 <u>\$ 463,217</u>	 <u>\$ 8,256,443</u>	 <u>(37,897,172)</u>

General Revenues

Property Taxes Levied for:

General Purposes	10,222,283
Debt Service	3,086,482
Capital Outlay	1,454,701
Capital Maintenance	214,304
Grants and Entitlements not Restricted to Specific Programs	22,207,856
Grant from School Facilities commission for Capital Construction	8,985,488
Investment Earnings	1,086,129
Miscellaneous	503,120
<i>Total General Revenues</i>	<u>47,760,363</u>
Change in Net Assets before Special Items	9,863,191
Special Item	<u>(1,342,148)</u>
Change in Net Assets	8,521,043
<i>Net Assets Beginning of Year</i>	<u>22,550,308</u>
<i>Net Assets End of Year</i>	<u>\$ 31,071,351</u>

See accompanying notes to basic financial statements.

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Ashtabula Area City School District
Balance Sheet
June 30, 2007

	<u>General Fund</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Construction Fund</u>
Assets				
Equity in Pooled Cash and				
Cash Equivalents	\$ 1,026,170	\$ 1,381,012	\$ 2,808,412	\$ 2,671,215
Accounts Receivable	312,652	-	-	-
Intergovernmental Receivable	-	-	-	-
Interfund Receivable	163,813	-	-	-
Materials and Supplies Inventory	49,730	-	-	-
Property Taxes Receivable	9,454,041	2,970,406	1,381,786	-
Restricted Assets:				
Equity in pooled cash and cash equivalents	553	-	-	-
<i>Total Assets</i>	<u>\$ 11,006,959</u>	<u>\$ 4,351,418</u>	<u>\$ 4,190,198</u>	<u>\$ 2,671,215</u>
Liabilities				
Accounts Payable	\$ 72,461	\$ -	\$ 14,458	\$ 106,433
Accrued Wages	2,482,344	-	-	-
Intergovernmental Payable	1,045,581	-	-	-
Interfund Payable	-	-	-	-
Compensated Absences Payable	232,910	-	-	-
Retainage Payable	-	-	-	816,342
Deferred Revenue	5,286,482	1,676,330	777,483	-
<i>Total Liabilities</i>	<u>9,119,778</u>	<u>1,676,330</u>	<u>791,941</u>	<u>922,775</u>
Fund Balances				
Reserved for Encumbrances	228,345	-	500,834	207,124
Reserved for Budget Stabilization	553	-	-	-
Reserved for Property Taxes	4,167,559	1,294,076	604,303	-
Unreserved:				
Undesignated (Deficit), Reported in:				
General Fund	(2,509,276)	-	-	-
Special Revenue Funds	-	-	-	-
Debt Service Funds	-	1,381,012	-	-
Capital Projects Funds	-	-	2,293,120	1,541,316
<i>Total Fund Balances</i>	<u>1,887,181</u>	<u>2,675,088</u>	<u>3,398,257</u>	<u>1,748,440</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 11,006,959</u>	<u>\$ 4,351,418</u>	<u>\$ 4,190,198</u>	<u>\$ 2,671,215</u>

See accompanying notes to the basic financial statements.

Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
\$ 8,124,767	\$ 1,688,234	\$ 17,699,810
-	165	312,817
70,386	679,857	750,243
-	-	163,813
-	17,041	66,771
-	199,221	14,005,454
-	-	553
<u>\$ 8,195,153</u>	<u>\$ 2,584,518</u>	<u>\$ 32,999,461</u>
\$ 224,939	\$ 98,893	\$ 517,184
-	581,198	3,063,542
-	172,944	1,218,525
-	163,813	163,813
-	-	232,910
5,765	-	822,107
-	126,285	7,866,580
<u>230,704</u>	<u>1,143,133</u>	<u>13,884,661</u>
3,100,523	172,579	4,209,405
-	-	553
-	86,851	6,152,789
-	-	(2,509,276)
-	987,400	987,400
-	-	1,381,012
4,863,926	194,555	8,892,917
<u>7,964,449</u>	<u>1,441,385</u>	<u>19,114,800</u>
<u>\$ 8,195,153</u>	<u>\$ 2,584,518</u>	<u>\$ 32,999,461</u>

Ashtabula Area City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2007*

<i>Total Governmental Funds Balances</i>		\$ 19,114,800
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		53,412,562
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes		1,504,826
Internal service funds are used by management to charge the cost of health insurance and workers' compensation premiums to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		1,987,824
Premiums received from the sale of general obligation bonds are considered financial resources and reported as revenue in the funds but deferred in the statement of net assets.		(405,157)
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Serial Bonds	\$ (39,340,000)	
Capital Appreciation Bonds	(753,861)	
Bond Accretion	(1,046,414)	
Capital Lease Payable	(97,985)	
Compensated Absences Payable	(3,158,454)	
Accrued Interest Payable	(146,790)	
Total	(44,543,504)	(44,543,504)
 <i>Net Assets of Governmental Activities</i>		\$ 31,071,351

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007

	General Fund	Bond Retirement Fund	Permanent Improvement	Construction Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 10,197,680	\$ 3,071,472	\$ 1,448,747	\$ -	\$ -	\$ 193,654	\$ 14,911,553
Intergovernmental	20,897,910	451,470	249,826	-	8,985,488	8,314,620	38,899,314
Interest	725,302	-	-	203,693	152,262	4,872	1,086,129
Tuition and Fees	473,268	-	-	-	-	3,633	476,901
Charges for Services	9,569	-	-	-	-	101,966	111,535
Extracurricular Activities	1,058	-	-	-	-	74,545	75,603
Contributions and donations	-	-	-	-	-	349,651	349,651
Miscellaneous	457,536	20,274	9,096	920	-	15,294	503,120
<i>Total Revenues</i>	<u>32,762,323</u>	<u>3,543,216</u>	<u>1,707,669</u>	<u>204,613</u>	<u>9,137,750</u>	<u>9,058,235</u>	<u>56,413,806</u>
Expenditures							
Current:							
Instruction:							
Regular	16,959,048	6,697	812,891	-	-	2,135,472	19,914,108
Special	4,544,111	-	-	-	-	1,688,863	6,232,974
Vocational	264,830	-	-	-	-	-	264,830
Other Instruction	360,840	-	-	-	-	674,277	1,035,117
Support Services:							
Pupil	1,688,221	-	-	-	-	707,095	2,395,316
Instructional Staff	492,424	-	-	51,801	-	844,926	1,389,151
Board of Education	223,307	-	-	-	-	3,850	227,157
Administration	2,409,338	-	7,103	-	-	233,199	2,649,640
Fiscal	687,578	57,413	29,677	-	-	64,912	839,580
Business	636,048	-	-	-	-	8,133	644,181
Operation and Maintenance of Plant	3,752,049	-	20,151	-	-	17,254	3,789,454
Pupil Transportation	1,474,376	-	-	-	-	63,428	1,537,804
Central	-	-	-	-	-	100,178	100,178
Operation of Non-Instructional Services							
Food Service	-	-	-	-	-	1,352,346	1,352,346
Other	-	-	78,757	-	-	312,746	391,503
Extracurricular Activities	374,278	-	-	-	-	270,184	644,462
Capital Outlay	-	-	586,551	3,227,338	1,173,301	-	4,987,190
Debt Service:							
Principal Retirement	-	794,796	53,440	-	-	-	848,236
Interest and Fiscal Charges	-	2,335,881	-	-	-	-	2,335,881
<i>Total Expenditures</i>	<u>33,866,448</u>	<u>3,194,787</u>	<u>1,588,570</u>	<u>3,279,139</u>	<u>1,173,301</u>	<u>8,476,863</u>	<u>51,579,108</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,104,125)</u>	<u>348,429</u>	<u>119,099</u>	<u>(3,074,526)</u>	<u>7,964,449</u>	<u>581,372</u>	<u>4,834,698</u>
Other Financing Sources (Uses)							
Sale of Fixed Assets	10,752	-	-	-	-	-	10,752
Inception of Capital Lease	-	-	151,425	-	-	-	151,425
<i>Total Other Financing Sources (Uses)</i>	<u>10,752</u>	<u>-</u>	<u>151,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,177</u>
<i>Net Change in Fund Balances</i>	<u>(1,093,373)</u>	<u>348,429</u>	<u>270,524</u>	<u>(3,074,526)</u>	<u>7,964,449</u>	<u>581,372</u>	<u>4,996,875</u>
<i>Fund Balances Beginning of Year Restated (see Note 3)</i>	<u>2,980,554</u>	<u>2,326,659</u>	<u>3,127,733</u>	<u>4,822,966</u>	<u>-</u>	<u>860,013</u>	<u>14,117,925</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,887,181</u>	<u>\$ 2,675,088</u>	<u>\$ 3,398,257</u>	<u>\$ 1,748,440</u>	<u>\$ 7,964,449</u>	<u>\$ 1,441,385</u>	<u>\$ 19,114,800</u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the State of Activities
For the Fiscal Year Ended June 30, 2007*

Net Change in Fund Balances - Total Governmental Funds \$ 4,996,875

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

Governmental funds report capital outlays as expenditures.

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

3,379,624

Governmental funds only report the disposal of capital assets to the extent proceeds are received from that sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

(1,352,900)

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

66,217

Premiums received on the sale of general obligation bonds are reported as revenue in the funds but are amortized over the life of the bonds in the statement of activities.

17,241

Repayment of long-term liabilities are expenditures in the governmental funds, but they reduce the liability balance in the statement of net assets.

Principal paid on serial bonds
Total

794,796

794,796

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when paid. The governmental funds report the effect of bond accretion when the issuance matures, whereas these amounts are accrued in the statement of activities.

Change in Accrued Interest Payable
Accretion on Capital Appreciation Bonds

700

350,861

351,561

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences
Capital Leases
Total

199,967

(97,985)

101,982

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities

165,647

Change in Net Assets of Governmental Activities

\$ 8,521,043

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 10,947,021	\$ 10,352,621	\$ 10,373,641	\$ 21,020
Intergovernmental	20,471,400	21,321,460	20,897,910	(423,550)
Interest	710,499	740,002	725,302	(14,700)
Tuition and Fees	463,609	482,860	473,268	(9,592)
Rent	3,361	3,501	3,431	(70)
Extracurricular Activities	2,169	2,259	2,214	(45)
Charges for Services	886	922	904	(18)
Miscellaneous	448,223	466,835	457,561	(9,274)
Refund of Prior Year Expenditures	61,482	64,035	62,763	(1,272)
<i>Total Revenues</i>	<u>33,108,650</u>	<u>33,434,495</u>	<u>32,996,994</u>	<u>(437,501)</u>
Expenditures				
Current:				
Instruction:				
Regular	17,155,923	17,132,898	16,999,141	133,757
Special	4,733,131	4,726,779	4,689,877	36,902
Vocational	268,044	267,684	265,594	2,090
Other	338,639	338,184	335,544	2,640
Support Services:				
Pupils	1,774,925	1,772,543	1,758,705	13,838
Instructional Staff	443,999	443,403	439,941	3,462
Board of Education	228,555	228,248	226,466	1,782
Administration	2,490,895	2,487,552	2,468,132	19,420
Fiscal	763,354	762,330	756,378	5,952
Business	707,324	706,375	700,860	5,515
Operation and Maintenance of Plant	4,137,708	4,132,155	4,099,895	32,260
Pupil Transportation	1,537,008	1,534,945	1,522,962	11,983
Central	20,364	20,337	20,178	159
Extracurricular Activities	370,576	370,078	367,189	2,889
Capital Outlay (other facilities acq & constr)	183	182	181	1
Refund of Prior Year Receipts	37,019	36,970	36,681	289
<i>Total Expenditures</i>	<u>35,007,647</u>	<u>34,960,663</u>	<u>34,687,724</u>	<u>272,939</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,898,997)</u>	<u>(1,526,168)</u>	<u>(1,690,730)</u>	<u>(164,562)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Fixed Assets	10,533	10,970	10,752	(218)
Advances In	175,690	182,985	179,350	(3,635)
<i>Total Other Financing Sources (Uses)</i>	<u>186,223</u>	<u>193,955</u>	<u>190,102</u>	<u>(3,853)</u>
<i>Net Change in Fund Balance</i>	<u>(1,712,774)</u>	<u>(1,332,213)</u>	<u>(1,500,628)</u>	<u>(168,415)</u>
<i>Fund Balance Beginning of Year, Restated</i>	2,030,776	2,030,776	2,030,776	-
Prior Year Encumbrances Appropriated	249,647	249,647	249,647	-
<i>Fund Balance End of Year</i>	<u>\$ 567,649</u>	<u>\$ 948,210</u>	<u>\$ 779,795</u>	<u>\$ (168,415)</u>

Ashtabula Area City School District

Statement of Fund Net Assets

Propriety Funds

June 30, 2007

	Governmental Activities - Internal Service Funds
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 3,525,042
Accounts Receivable	<u>793</u>
<i>Total Assets</i>	<u>3,525,835</u>
Liabilities	
Intergovernmental Payable	289,411
Claims Payable	<u>1,248,600</u>
<i>Total Liabilities</i>	<u>1,538,011</u>
Net Assets	
Unrestricted	<u>1,987,824</u>
<i>Total Net Assets</i>	<u><u>\$ 1,987,824</u></u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
*Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2007*

	<u>Governmental Activities - Internal Service Funds</u>
Operating Revenues	
Charges for Services	\$ 5,627,350
Other Revenues	<u>284,842</u>
<i>Total Operating Revenue</i>	<u>5,912,192</u>
Operating Expenses	
Purchased Services	488,585
Claims	4,935,079
Other	<u>322,881</u>
<i>Total Operating Expenses</i>	<u>5,746,545</u>
<i>Change in Net Assets</i>	165,647
<i>Net Assets Beginning of Year</i>	<u>1,822,177</u>
<i>Net Assets End of Year</i>	<u><u>\$ 1,987,824</u></u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2007

	<u>Governmental Activities - Internal Service Fund</u>
Cash Flows from Operating activities:	
Cash Received from Other Funds	\$ 5,911,588
Cash Payments for Purchased Services	(535,842)
Cash Payments for Claims	(4,814,479)
Cash Payments for Premiums	<u>(322,881)</u>
<i>Net Cash Provided by Operating Activities</i>	<u>238,386</u>
<i>Net Increase in Cash and Cash Equivalents</i>	238,386
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>3,286,656</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 3,525,042</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
<i>Operating Income</i>	\$ 165,647
Adjustments:	
(Increase) Decrease in Assets:	
Accounts Receivable	(793)
Increase (Decrease) in Liabilities:	
Intergovernmental Payable	(47,068)
Claims Payable	<u>120,600</u>
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$ 238,386</u></u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 43,028	\$ 32,315
<i>Total Assets</i>	<u>43,028</u>	<u>\$ 32,315</u>
Liabilities		
Accounts Payable	-	\$ 820
Due to Students	-	31,495
<i>Total Liabilities</i>	<u>-</u>	<u>\$ 32,315</u>
Net Assets		
Held in Trust for Scholarships	<u>43,028</u>	
<i>Total Net Assets</i>	<u>\$ 43,028</u>	

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	<u>Private Purpose Trust Funds</u>
Additions	
Investment Earnings	\$ 1,697
Contributions and Donations	<u>16,143</u>
<i>Total Additions</i>	<u>17,840</u>
Deductions	
Scholarships Awarded	6,302
Miscellaneous	<u>8,454</u>
<i>Total Deductions</i>	<u>14,756</u>
<i>Change in Net Assets</i>	3,084
<i>Net Assets Beginning of Year</i>	<u>39,944</u>
<i>Net Assets End of Year</i>	<u><u>\$ 43,028</u></u>

See accompanying notes to the basic financial statements.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 1 – DESCRIPTION OF DISTRICT

The Ashtabula Area City School District (the “District”) 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 operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the district as mandated by state and/or federal agencies. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. Average daily membership (ADM) as of October 2, 2006, was 4,385. The District employed 23 administrative and supervisory personnel, 335 certified employees and 183 non-certificated employees.

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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The more significant of the District's 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*.” The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments and agencies that are not legally separate from the District. For Ashtabula Area City School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the District.

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

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; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Jointly Governed Organizations

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$66,465 to NEOMIN during fiscal year 2007.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and a treasurer from each county. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Northeast Ohio Special Education Regional Resource Center (NEO/SERRC)

NEO/SERRC is a special education service center which selects its own board, adopts its own budget and receives direct federal and state grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

NEO/SERRC is governed by a board of 39 members made up of representatives from 35 superintendents of the participating districts, one non-public school, one county board of mental retardation and two parents whose term rotates every year. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting the Treasurer at the Mahoning County Education Service Center, 2801 Market Street, Youngstown, Ohio 44507

Northeast Ohio Instructional Media Center (NEOIMC)

NEOIMC is a jointly governed organization among 45 school districts. The jointly governed organization was formed for the purpose of providing quality film and/or other media to support the educational curricula of the member school districts. Each member pays a monthly premium based on used of the media materials.

NEOIMC is governed by an advisory committee made up of a member from a parochial school, a joint vocational school, the county superintendent from each participating county, one city superintendent and two local superintendents rotating every two years. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting the Treasurer at the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Ashtabula County Joint Vocational School District

The Ashtabula County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. Its board of education is appointed by the representative school districts. The District is not involved in the budgeting or management of the Ashtabula County Joint Vocational School District. The District's students may attend the vocational school.

Public Entity Risk Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

Related Organizations

Non-public schools

Within the District's boundaries, Sts. John and Paul School K-12, is operated through the Youngstown Catholic Diocese. Northeast Academy is operated as an independent non-public school chartered by the Ohio Department of Education. Current state legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the treasurer of the District, as directed by the schools. The accounting for these state monies is reflected as a special revenue fund of the District.

Harbor-Topky Memorial Library

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the Trustees.

Management believes the financial statements included in this report represent all of the funds over which the District is financially accountable.

B. Fund Accounting

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

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (continued)

Governmental Funds

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

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 is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond Retirement Fund – This fund accounts for the collection of property taxes that are used for the payment of principal and interest and fiscal charges on general obligation debt.

Permanent Improvement Fund – This fund accounts for the collection of property taxes that are used for acquiring, constructing, or improving permanent improvements.

Construction Fund – This fund accounts for note proceeds, grants, and interest revenue to be expended in connection with contracts entered with the Ohio Department of Education for the building and equipping of a new high school.

Classroom Facilities Fund – This fund accounts for monies that are received and expended in connection with contracts entered into by the school and the Department of Education for the building and equipping of the new junior high and elementary schools.

Other governmental funds of the District account for food service operations, grants and other resources, and other capital projects of the District whose use is restricted to a particular purpose.

Proprietary Fund

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no enterprise funds. The following is a description of the District's internal service fund.

Internal Service Funds – Internal service funds are used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis. The Employee Health Insurance fund accounts for a self-insurance program which provides medical, prescription, dental and life insurance benefits to the District's employees. The Workers' Comp fund accounts for the payment of premiums and claims to be paid to the State workers' compensation agency.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's trust funds are private purpose trusts which account for programs that provide assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds are used to account for student activities

C. Basis of Presentation and Measurement Focus

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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. Internal Service fund operating activity is eliminated to avoid overstatement of revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end.

The government-wide statement of activities presents a comparison between direct expenses and program revenues 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 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 governmental function is self-financing or draws from the general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (e.g., expenses) in total net assets.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation and Measurement Focus (continued)

Fund Financial Statements

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column and nonmajor funds are aggregated into a single column. The internal service fund is presented on a separate proprietary fund statement. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the fund are included on the statement of fund 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 activity.

Proprietary funds distinguish operating revenues and expenses from non-operating 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. The principal operating revenues of the District's internal service fund is charges for services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The private purpose trust funds are reported using the flow of economic resources measurement focus. Agency funds do not report operations; therefore, no measurement focus is needed.

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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences between the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (continued)

Revenues - Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or 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.

Non-exchange 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 non-exchange 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, grants, interest, tuition, and student fees.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

E. Budgetary Process

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.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (continued)

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit, to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates.

By no later than January 20, the Board-adopted budget is filed with the Ashtabula County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by The District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007. Prior to year-end, the District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education.

Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board has authorized the treasurer to allocate appropriations among object level expenditures within each function.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (continued)

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The District had monthly supplemental appropriation resolutions during fiscal year 2007.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

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

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$725,302. The amount allocated from other funds during fiscal year 2007 amounted to \$178,467.

For the District, all investment earnings accrue to the General Fund, Capital Fund, Auxiliary Service Fund, one Expendable and two Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2007 totaled \$1,086,129.

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

G. Inventory

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

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. 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 government 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.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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 on the fund financial statements.

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

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

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Improvements	15 - 30 years
Furniture and Equipment	5 - 20 years
Vehicles	5 - 15 years

J. Interfund Balances

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

K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences."

Vacation leave benefits are accrued as a liability as the benefits are earned if a) the employees' rights to receive compensation are attributable to services already rendered and b) it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Compensated Absences (continued)

Sick leave benefits are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements

L. Accrued Liabilities and Long-Term Obligations

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

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

M. 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 the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

N. 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.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Fund Balance Reserves and Designations (continued)

Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, debt service, budget stabilization, capital projects, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are charges for service for the health-related insurance program. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the proprietary fund.

P. Interfund Activity

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

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

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. The District recorded a special item during 2007; see Note 8 for further discussion.

S. Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 – RESTATEMENT OF PRIOR YEAR BALANCES

During the current year, it was determined that expenditures in the prior year was paid from an incorrect fund. The District corrected the cash transaction in the current year; with the following effects on fund balances previously reported:

	General	Bond Retirement	Permanent Improvement			
Fund Balance at 6/30/06 as previously stated	\$ 2,480,554	\$ 2,326,659	\$ 3,376,233			
Restatement of expenditure	500,000	-	(248,500)			
	\$ 2,980,554	\$ 2,326,659	\$ 3,127,733			
					(Continued)	
	Construction	Classroom Facilities Fund	Other Governmental	Total		
Fund Balance at 6/30/06 as previously stated	\$ 4,325,966	\$ -	\$ 1,608,513	\$ 14,117,925		
Restatement of expenditure	497,000	-	(748,500)	-		
	\$ 4,822,966	\$ -	\$ 860,013	\$ 14,117,925		

The general fund was also restated in the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual to account for the above restatements. The general fund was restated for \$500,000 from \$1,530, 776 to \$2,030,776.

NOTE 4 – ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2007, included the following individual fund deficits:

Ohio Reads	\$ (5,168)
Alternative Education	(1,066)
Title I, Disadvantaged Children	(27,811)

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

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current 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 division (1) or (2) of this section or repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase 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, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At fiscal year-end, the District had \$5,525 in undeposited cash on hand which is included on the basic financial statements of the District as part of “Equity in Pooled Cash and Cash Equivalents.”

B. Deposits

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, the carrying amount of the District’s deposits was \$20,756,650 and the bank balance was \$21,170,296. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$20,970,296 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institutions’ trust department or agent, but not in the District’s name. 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.

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

C. Investments

Investments are reported at fair value. As of June 30, 2007, the District had the following investments:

	Fair Value	Maturity
Repurchase Agreements	\$ 355,736	Daily
STAROhio	183,137	Avg 33 days
Total Investments	\$ 538,573	

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the District’s investment policy requires that operating funds be invested primarily in short-term investments maturing within five years from the date of purchase to maximize the returns on the excess cash balances consistent with the safety of the monies and the desired liquidity of the investments.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – EQUITY IN POOLED CASH AND INVESTMENTS (CONTINUED)

Credit Risk STAROhio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

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 District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk The District places no limit on the amount it may invest in any one issuer. The following is the District's allocation as of June 30, 2007:

	<u>Percentage of Investments</u>
Repurchase Agreements	66.0%
STAROhio	34.0%

NOTE 6 – PROPERTY TAXES

Property taxes are levied, assessed and collected 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 year.

Property taxes include amounts levied against all real, public utility, and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006. Assessed values for real property are established by the State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2006, were levied after April 1, 2007 and are collected with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2007 (other than public utility) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at varying percentages of true value. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 – PROPERTY TAXES (CONTINUED)

The Ashtabula County Treasurer collects property tax on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each February and August for real property taxes and each June and October for personal property taxes. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

The assessed values of real and tangible personal property on which the 2007 taxes were collected were as follows:

	2006		2007	
	Second-Half Collections		First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$ 396,655,940	83.47%	\$ 401,563,910	87.18%
Public Utility Personal Property	30,574,190	6.43%	26,308,320	5.72%
Tangible Personal Property	47,960,960	10.10%	32,719,640	7.10%
Total Assessed Value	\$ 475,191,090	100.00%	\$ 460,591,870	100.00%
Tax rate per \$1,000 of assessed valuation	\$52.00		\$52.00	

Accrued property taxes receivables include real property, tangible personal property and public utility taxes which are measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2007 was \$4,167,559 in the General Fund, \$1,294,076 in the Bond Retirement Fund, \$604,303 in the Permanent Improvement Fund and \$86,851 in the Classroom Facilities Maintenance Fund.

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

NOTE 7 – RECEIVABLES

Receivables at June 30, 2007, consisted of taxes, accounts (student fees), intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, and the stable condition of State programs.

A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental Activities	
Property taxes	\$ 14,005,454
Accounts	313,610
Intergovernmental	750,243
Total	\$ 15,069,307

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – CAPITAL ASSETS

Fixed asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/2006	Prior Year Adjustment	Adjusted Balance at 6/30/2006	Additions	Reductions	Balance at 6/30/2007
Governmental Activities:						
<i>Capital assets, not being depreciated</i>						
Land	\$ 376,369	\$ (26,018)	\$ 350,351	\$ 24,877	\$ -	\$ 375,228
Construction in progress	41,342,107		41,342,107	3,971,903	(44,165,837)	1,148,173
Total capital assets, not being depreciated	<u>41,718,476</u>	<u>(26,018)</u>	<u>41,692,458</u>	<u>3,996,780</u>	<u>(44,165,837)</u>	<u>1,523,401</u>
<i>Capital assets, being depreciated:</i>						
Other Improvements	618,450	26,018	644,468	-	(84,149)	560,319
Buildings	12,345,072	-	12,345,072	44,165,837	(2,790,421)	53,720,488
Furniture and equipment	7,167,840	-	7,167,840	532,415	(699,381)	7,000,874
Vehicles	2,318,439	-	2,318,439	243,949	-	2,562,388
Textbooks	2,790,202	-	2,790,202	323,699	(322,614)	2,791,287
Total capital assets, being depreciated	<u>25,240,003</u>	<u>26,018</u>	<u>25,266,021</u>	<u>45,265,900</u>	<u>(3,896,565)</u>	<u>66,635,356</u>
<i>Less: Accumulated depreciation:</i>						
Other Improvements	(161,729)	-	(161,729)	(26,070)	26,688	(161,111)
Buildings	(7,474,724)	-	(7,474,724)	(964,352)	1,645,477	(6,793,599)
Furniture and equipment	(4,250,691)	-	(4,250,691)	(462,425)	598,137	(4,114,979)
Vehicles	(1,495,850)	-	(1,495,850)	(161,250)	-	(1,657,100)
Textbooks	(2,189,647)	-	(2,189,647)	(103,122)	273,363	(2,019,406)
Total accumulated depreciation	<u>(15,572,641)</u>	<u>-</u>	<u>(15,572,641)</u>	<u>(1,717,219)</u>	<u>2,543,665</u>	<u>(14,746,195)</u>
Total capital assets being depreciated, net	<u>9,667,362</u>	<u>26,018</u>	<u>9,693,380</u>	<u>43,548,681</u>	<u>(1,352,900)</u>	<u>51,889,161</u>
Governmental activities capital assets, net	<u>\$ 51,385,838</u>	<u>\$ -</u>	<u>\$ 51,385,838</u>	<u>\$ 47,545,461</u>	<u>\$ (45,518,737)</u>	<u>\$ 53,412,562</u>

In August 2006, the new Lakeside High School was opened. When the new high school opened, Lakeside High School and Harbor High (Lakeside 9) moved into the new building. The two junior highs, Columbus and West, then moved into the old high school. Columbus Junior High, West Junior High, and Harbor High were abated during fiscal 2007. Columbus and West Junior Highs were demolished during fiscal 2007. Harbor High has not been demolished as of June 30, 2007. As a result, the District disposed of items relating to these buildings and their contents in 2007, recording a loss of \$1,342,148.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,297,619
Special	22,973
Vocational	2,489
Support services	
Pupil	4,667
Instructional staff	12,135
Board of education	234
Administration	42,894
Fiscal	7,501
Business	854
Operation and	
maintenance of plant	31,656
Pupil transportation	169,025
Operation of non-instructional services:	
Food services	33,794
Other non-instructional services	9,865
Extracurricular activities	<u>81,513</u>
 Total Governmental Activities	 <u><u>\$ 1,717,219</u></u>

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – LONG-TERM OBLIGATIONS

A summary of changes in long-term obligations for the year ended June 30, 2007, are as follows:

	Balance at 6/30/2006	Additions	Deductions	Balance at 6/30/2007	Amount Due in One Year
General Obligation Bonds:					
OSF Construction Bonds	\$ 39,760,000	\$ -	\$ (420,000)	\$ 39,340,000	\$ 430,000
OSF Construction Capital Appreciation Bonds	1,128,657	-	(374,796)	753,861	301,928
Unamortized Premium	422,398	-	(17,241)	405,157	-
Accretion on Capital Appreciation Bonds	1,397,275	219,343	(570,204)	1,046,414	643,072
Total General Obligation Bonds	42,708,330	219,343	(1,382,241)	41,545,432	1,375,000
Other Long-Term Obligations:					
Capital Lease Payable	-	151,425	(53,440)	97,985	47,567
Compensated Absences	3,358,422	201,880	(401,848)	3,158,454	923,045
Total Other Long-Term Obligations	3,358,422	353,305	(455,288)	3,256,439	970,612
Total Long-Term Liabilities	\$ 46,066,752	\$ 572,648	\$ (1,837,529)	\$ 44,801,871	\$ 2,345,612

The District entered into the Expedited Local Partnership Plan with the Ohio Schools Facility Commission to build new schools. A 7 mill bond issue passed on May 2, 2002, for the purpose of constructing new schools. The district issued bonds on August 7, 2002 for \$40,000,000 (Series A) and issued additional bonds on February 1, 2003 for \$ 4,123,700 (Series B). Principal and interests requirements to retire bonds outstanding at June 30, 2007 are as follows:

	Series A		Series B	
	Principal	Interest	Principal	Interest
2008	\$ 301,928	\$ 1,695,353	\$ 430,000	\$ 61,502
2009	243,234	1,695,353	440,000	51,270
2010	1,025,000	1,677,928	450,000	38,910
2011	1,055,000	1,641,512	465,000	24,720
2012	1,095,000	1,602,265	208,699	17,280
2013-2017	6,355,000	7,295,928	480,000	8,640
2018-2022	7,860,000	5,733,826	-	-
2023-2027	9,905,000	3,636,481	-	-
2028-2031	9,780,000	1,004,406	-	-
	\$ 37,620,162	\$ 25,963,052	\$ 2,473,699	\$ 202,322

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – LONG-TERM OBLIGATIONS (CONTINUED)

B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$41,453,268 and an unvoted debt margin of \$460,592.

NOTE 10 – CAPITAL LEASE OBLIGATION

The District entered into a capital lease for the acquisition of a computer learning system. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The capital asset acquired by lease has been capitalized as equipment in the amount of \$151,425 equal to the present value of the future minimum lease payments in the government-wide financial statements. Principal payments in the current year totaled \$53,440 in the Governmental Activities.

FY 2008		\$ 53,440
FY 2009		<u>53,440</u>
Total Minimum Lease Payments		106,880
Less: Amount Representing Interest		<u>(8,895)</u>
Present Value of Minimum Lease Payment		<u>\$ 97,985</u>

NOTE 11 – COMPENSATED ABSENCES

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, twelve (12) month Administrators and twelve (12) month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

<u>Length of Service</u>	<u>Vacation Leave</u>
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than nineteen (19) years shall be entitled to one (1) additional day for each complete year served in the District in excess of nineteen (19) years.

Vacations for classified employees can be taken any time during the year, but no more than five (5) weeks are to be taken in succession. Employees may carry over a maximum of ten (10) days from one year to the next which they are required to take that year.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – COMPENSATED ABSENCES (CONTINUED)

The Superintendent earns 25 days vacation per year, which they are required to take that year. They do not have the option to exchange for cash or carry over to the following year.

The Treasurer earns 25 days vacation per year and may carry over 5 days from one year to the next.

The twelve (12) month Administrators earn 20 days vacation per year and may carry over 10 days from one year to the next.

Vacation Pay: All twelve (12) month classified employees may choose to be paid for any and all earned vacation days in lieu of time off at the rate that would have been paid to a substitute.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth (1/4) of the accumulated sick leave days multiplied times the per diem rate at the time of retirement.

Retirement Incentive Plan: The Board offers a retirement incentive plan to those certificated employees who are eligible to retire with 30 years of service credit in accordance with the rules and regulations established by the STRS and other qualifications per the negotiated agreement.

The plan, for those who are eligible, is as follows:

1. The R.I. payment shall be equal to 35% of the retiree's placement on the salary schedule for the last full school year worked.
2. The R.I. payment shall be made the first certified pay in January of the following calendar year.
3. The end of the school year in which a bargaining unit member meets the criteria for the R.I. Plan as outlined above is the only time the plan is offered to the employee.

NOTE 12 – RISK MANAGEMENT

A. General Risk

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$20,000 for the district superintendent and \$50,000 for the district treasurer. Additionally the district has commercial crime coverage of \$10,000.

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

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 – RISK MANAGEMENT (CONTINUED)

The District maintains replacement cost insurance on buildings and contents in the amount of \$57,317,612. Other property insurance includes \$2,662,980 for musical instrument, related equipment and accessories and electronic data processing hardware.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past

President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of this grouping and representation with other participants in the GRP. The workers' compensation experience for the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for GRP rather than its individual performance is compared to the overall savings percentage of the GRP. A participant will either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates, McDonald & Company provides administrative, cost control and actuarial services to the GRP.

C. Health Insurance

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the general fund and certain nonmajor governmental funds. Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier.

Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, frequency of claims, and other economic and social factors.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 – RISK MANAGEMENT (CONTINUED)

C. Health Insurance (continued)

Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using expected future investment assumptions as determined by the third party administrator. These liabilities are reported at their present value of \$1,248,600 at June 30, 2007.

A summary of changes in self-insurance claims for the current and two preceding years follows:

<u>Fiscal</u> <u>Year</u>	<u>Beginning</u> <u>Balance</u>	<u>Current</u> <u>Year</u> <u>Claims</u>	<u>Claims</u> <u>Payments</u>	<u>Ending</u> <u>Balance</u>
2007	\$ 1,128,000	\$ 4,935,079	\$ (4,814,479)	\$ 1,248,600
2006	1,111,800	4,164,907	(4,148,707)	1,128,000
2005	1,056,900	4,072,291	(4,017,391)	1,111,800

NOTE 13 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (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 state statute per 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 43215-3476, or by calling too free (800) 878-5853. It is also posted on SERS’s website, www.ohsers.org under Forms and Publications.

Plan members are required to contribute 10% 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 2007, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal years 2006 and 2005, 10.57 percent and 9.09 percent, respectively, of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$708,628, \$689,843, and \$721,320, respectively; 54.2% has been contributed for fiscal year 2007 and 100% for fiscal years 2006 and 2005. \$324,500 represents the unpaid contribution for fiscal year 2007.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System (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 DC plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC plan and the DB plan. In the Combined plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB plan. Contributions to the DC plan and The Combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined plan members will transfer to the DB plan during their fifth year of membership unless they permanently select the DC or Combined plan.

DB plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit,” the retirement allowance is based on the years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. 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. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

In the Combined plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefits are determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. State Teachers Retirement System (continued)

A DB or Combined Plan member with five or more years of 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. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined plans. Various other benefits are available to members' beneficiaries.

For the fiscal years ended June 30, 2007, 2006 and 2005, plan members are 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 STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$2,735,558, \$2,548,182, and \$2,546,222, respectively; 100 percent has been contributed for fiscal years 2007, 2006, and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2007, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

NOTE 14 – POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by State statute. Both systems are funded on a pay-as-you-go-basis.

STRS provides access to health care coverage to retirees who participated in the DB or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, STRS has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to eligible benefit recipients, spouse and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. STRS allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007, the STRS Board allocated employer

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – POSTEMPLOYMENT BENEFITS (CONTINUED)

contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$195,397 for fiscal year 2007.

The balance in the Health Care Stabilization Fund was \$3.5 billion on June 30, 2006 (the latest information available). For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the District's 14% contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.42% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay has been established at \$35,800. However, the surcharge is capped at 2% for each employer's SERS salaries. For the District, the amount to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$267,302.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006 the latest information available), the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term to provide for a health care reserve equal to at least 150% of estimated annual net claims costs. SERS has approximately 59,492 participants currently receiving health care benefits.

NOTE 15 – INTERFUND TRANSACTIONS

A. Interfund balances

Interfund balances consisted of the following at June 30, 2007, as reported on the fund statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 163,813

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2007 are reported on the Statement of Net Assets.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 – BUDGETARY BASIS OF ACCOUNTING

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

The Statement of Revenues, Expenditures and Changes in Fund Balances - 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 GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. 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).
4. Certain funds that are classified as part of the general fund (GAAP basis) are reported in other fund types on a cash basis (budget basis). These items are reflected as “fund reclassifications.”

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

Net Change in Fund Balance	
Budget basis	\$ (1,500,628)
Net adjustment for revenue accruals	(234,671)
Net adjustment for expenditure accruals	574,348
Net adjustment for other sources/uses	(179,350)
Adjustment for encumbrances	<u>246,928</u>
GAAP basis	<u><u>\$ (1,093,373)</u></u>

NOTE 17 – CONTINGENCIES

A. Grants

The District receives financial assistance from federal and state 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 general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District at June 30, 2007.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 – CONTINGENCIES (CONTINUED)

B. Litigation

The District is a defendant in legal proceedings pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of these legal proceedings, it is the opinion of management and legal counsel that the ultimate resolution of such will result in no significant exposure to the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed ". . . the Ohio General Assembly to enact a school funding scheme that is thorough and efficient."

The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

NOTE 18 – STATUTORY RESERVES

The District is required by state law to annually 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 year ended June 30, 2007, the reserve activity was as follows:

	Textbooks/ Instructional <u>Materials</u>	Capital <u>Acquisition</u>	Budget <u>Stabilization</u>
Set-aside reserve balance as of June 30, 2006	\$ (876,617)	\$ -	\$ 553
Current year set-aside requirement	663,753	663,753	-
Current year offsets	-	-	-
Qualifying disbursements	<u>(908,465)</u>	<u>(1,577,643)</u>	<u>-</u>
Totals	<u>\$ (1,121,329)</u>	<u>\$ (913,890)</u>	<u>\$ 553</u>
Balance carried forward to FY 2008	<u>\$ (1,121,329)</u>	<u>\$ -</u>	<u>\$ 553</u>

The District had qualifying expenditures during the year that reduced the set-aside amounts for textbooks and capital acquisition to below zero. The extra amount for textbooks may be used to reduce the set-aside requirements in future years; however, the extra amount for capital acquisitions may not be used in future years and is not presented as being carried forward to the next fiscal year.

Ashtabula Area City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 19 – OPERATING LEASES

The District leases several copier machines from various vendors. The following are general descriptions of the lease agreements:

A 60-month lease with Xerox, which began in October 2002. Copiers for use in various schools with an option for purchase at the end of the lease.

A 60-month lease with Xerox, which began in August 2005. Copiers for use in various schools with an option for purchase at the end of the lease.

The total rental expense for the year ended June 30, 2007 for the various operating leases was \$96,620.

Future minimum payments for leases with remaining lease terms in excess of one year for the years ended June 30 are as follows:

FY2008	\$	91,308
FY2009		89,537
FY2010		89,537
Total	\$	<u>270,382</u>

Warehouse property was leased for stockroom supplies and total rent expense paid for this lease for the year ended June 30, 2007, was \$7,200.

NOTE 20 – CONTRACTUAL COMMITMENTS

The District has contracted with various contractors for the Lakeside High School project. The total cost of the project is \$46,391,504. As of June 30, 2007, the District has paid \$45,520,596 on the contracts and \$870,908 remains outstanding on the contracts

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Ashtabula Area City School District (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 26, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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.

We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial report: 2007-1.

Board of Education
Ashtabula Area City School District

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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe finding number 2007-1 is also a material weakness.

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, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain immaterial instances of noncompliance and other matters that we reported to management of the District, in a separate letter dated November 26, 2008.

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

This report is intended solely for the information and use of the Board of Education, management, Auditor of the State's office, 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.

Cioni & Paricki, Inc.

Cleveland, Ohio
November 26, 2008

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

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

Compliance

We have audited the compliance of the Ashtabula Area City School District (the “District”), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of 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 federal 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 of 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, 2007.

Internal Control over Compliance

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

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

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2007, and have issued our report there on dated November 26, 2008.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has 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.

This report is intended solely for the information and use of the Board of Education, management, the Auditor of State's Office, 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.

Cinni & Parichi, Inc.

Cleveland, Ohio
November 26, 2008

Ashtabula Area City School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture:						
Passed-Through Ohio Department of Education:						
Food Distribution	10.550	N/A	\$ -	\$ 100,047	\$ -	\$ 100,675
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-2006	65,300	-	65,300	-
School Breakfast Program	10.553	05-PU-2007	<u>182,721</u>	<u>-</u>	<u>182,721</u>	<u>-</u>
Subtotal National School Breakfast Program			<u>248,021</u>	<u>-</u>	<u>248,021</u>	<u>-</u>
School Lunch Program	10.555	LL-P1-2006	1,057	-	1,057	-
School Lunch Program	10.555	LL-P1-2007	5,745	-	5,745	-
School Lunch Program	10.555	LL-P4-2006	204,813	-	204,813	-
School Lunch Program	10.555	LL-P4-2007	<u>591,469</u>	<u>-</u>	<u>591,469</u>	<u>-</u>
Subtotal National School Lunch Program			<u>803,084</u>	<u>-</u>	<u>803,084</u>	<u>-</u>
Total Nutrition Cluster			<u>1,051,105</u>	<u>-</u>	<u>1,051,105</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,051,105</u>	<u>100,047</u>	<u>1,051,105</u>	<u>100,675</u>
U.S. Department of Education:						
Passed-Through Ohio Department of Education:						
Title I	84.010	C1-S1-2006	260,699	-	271,886	-
Title I	84.010	C1-S1-2007	1,518,604	-	1,528,077	-
Title I	84.010	C1-SK-2006	15,877	-	26,279	-
Title I	84.010	C1-SK-2007	<u>65,202</u>	<u>-</u>	<u>74,190</u>	<u>-</u>
Total Title I			<u>1,860,382</u>	<u>-</u>	<u>1,900,432</u>	<u>-</u>
Special Education Cluster:						
Title VI-B	84.027	6B-SF-2006	177,505	-	202,836	-
Title VI-B	84.027	6B-SF-2007	<u>1,097,710</u>	<u>-</u>	<u>1,106,204</u>	<u>-</u>
Subtotal Title VI-B			<u>1,275,215</u>	<u>-</u>	<u>1,309,040</u>	<u>-</u>
Special Education – Preschool Grant	84.173	PG-S1-2006	3,044	-	4,006	-
Special Education – Preschool Grant	84.173	PG-S1-2007	<u>39,440</u>	<u>-</u>	<u>38,449</u>	<u>-</u>
Subtotal Preschool Grant			<u>42,484</u>	<u>-</u>	<u>42,455</u>	<u>-</u>
Total Special Education Cluster			<u>1,317,699</u>	<u>-</u>	<u>1,351,495</u>	<u>-</u>
Safe and Drug Free Schools	84.186	DR-S1-2006	(8,263)	-	630	-
Safe and Drug Free Schools	84.186	DR-S1-2007	<u>58,152</u>	<u>-</u>	<u>59,023</u>	<u>-</u>
Total Safe and Drug Free Schools			<u>49,889</u>	<u>-</u>	<u>59,653</u>	<u>-</u>
Innovative Education Program Strategy	84.298	C2-S1-2006	(146)	-	3,415	-
Innovative Education Program Strategy	84.298	C2-S1-2007	<u>17,501</u>	<u>-</u>	<u>17,299</u>	<u>-</u>
Total Innovative Education Program Strategy			<u>17,355</u>	<u>-</u>	<u>20,714</u>	<u>-</u>
Enhancing Education Through Technology	84.318	TJ-S1-2005	(6,768)	-	-	-
Enhancing Education Through Technology	84.318	TJ-S1-2006	5,866	-	6,008	-
Enhancing Education Through Technology	84.318	TJ-S1-2007	6,623	-	6,734	-
Enhancing Education Through Technology	84.318	TJ-SL-2006	<u>(6,768)</u>	<u>-</u>	<u>16,924</u>	<u>-</u>
Total Enhancing Education Through Technology			<u>(1,047)</u>	<u>-</u>	<u>29,666</u>	<u>-</u>

The accompanying notes are an integral part of this schedule

Ashtabula Area City School District

Schedule of Expenditures of Federal Awards – Continued

For the year ended June 30, 2007

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
Rural Education	84.358	RU-S1-2006	17,273	-	46,460	-
Rural Education	84.358	RU-S1-2007	79,727	-	123,351	-
Total Rural Education			97,000	-	169,811	-
Title III	84.365	T3-S1-2006	(557)	-	-	-
Title III	84.365	T3-S1-2007	38,929	-	33,826	-
Total Title III			38,372	-	33,826	-
Title II-A	84.367	TR-S1-2006	52,592	-	54,784	-
Title II-A	84.367	TR-S1-2007	265,592	-	290,610	-
Total Title II-A			318,184	-	345,394	-
Total U.S. Department of Education			3,697,834	-	3,910,991	-
U.S. Department of Health & Human Services: Passed-Through Ohio Department of Human Services; passed through Ohio Department of Mental Retardation and Developmental Disabilities:						
Medicaid Cluster:						
Medical Assistance Program - Title XIX	93.778	N/A	25	-	-	-
Total Expenditures of Federal Awards			\$ 4,748,939	\$ 100,047	\$ 4,962,096	\$ 100,675

The accompanying notes are an integral part of this schedule

Ashtabula Area City School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2007

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

CFDA – Catalog of Federal Domestic Assistance

Ashtabula Area City School District

Schedule of Findings

OMB Circular A-133 Section .505

June 30, 2007

1. Summary of Auditor's Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Was there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any other material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Was there any material weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA No. 10.553, 10.555 Title II-A CFDA No. 84.367
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

Ashtabula Area City School District

Schedule of Findings (Continued)
 OMB Circular A-133 Section .505

June 30, 2007

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

Findings	Findings Summary
2007-1	<p data-bbox="305 548 1105 583"><i>Financial Reporting – Significant Deficiency / Material Weakness</i></p> <p data-bbox="305 611 1419 705">Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="305 737 1419 800">The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol data-bbox="354 831 1419 1171" style="list-style-type: none"> <li data-bbox="354 831 1419 894">1. Adjusted accrued wages and benefits by \$419,802 for amounts that were originally recorded, but should not have been. <li data-bbox="354 894 1419 982">2. Adjusted accounts payable by \$125,373 for amounts that were not originally recorded for construction in progress and also by \$65,790 for amounts related to other activities. <li data-bbox="354 982 1419 1045">3. Adjusted inception of capital lease by \$151,425 for amounts that were not originally recorded. <li data-bbox="354 1045 1419 1171">4. Restated four funds for amounts that were not properly recorded in the prior year; General Fund increased by \$500,000, Permanent Improvement Fund decreased by \$248,500, Construction Fund increased by \$497,000, and Other Governmental Funds decreased by \$748,500. <p data-bbox="305 1203 1419 1297">The lack of controls over the posting of year-end financial transactions and financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p data-bbox="305 1329 1419 1518">We recommend the District adopts policies and procedures for controls over recording of year-end financial transactions and over financial report to help ensure the information accurately reflects the activity of the District and thereby increasing the reliability of the financial data at year-end. Although the District has contracted a third party to perform their GAAP Conversion, the District’s management needs to review the statements to be sure that all items are being properly recorded.</p> <p data-bbox="305 1549 1419 1606">Officials Response: Management will develop a process to oversee the GAAP conversion process more closely and have better communication with them.</p>

Ashtabula Area City School District

Schedule Of Findings (Continued)
OMB Circular A-133 Section .505

June 30, 2007

3. Findings for Federal Awards

There were no findings for federal awards to report in 2007.

Ashtabula Area City School District

Schedule of Prior Audit Findings
OMB Circular A-133 Section .315(b)

June 30, 2007

Findings	Findings Summary	Corrected	Responsible Contact Person; Not Corrected, Partially Corrected
2006-1	Per ORC Section 5705.41 (B), no subdivision or taxing unit is to expend money unless it has been appropriated.	Yes	Michele Tullai, Treasurer
2006-2	Per ORC Section 5705.39, total appropriations from each fund shall not exceed the total estimated revenue.	Yes	Michele Tullai, Treasurer

Ashtabula Area City School District

Corrective Action Plan
OMB Circular A-133 Section .315(c)

June 30, 2007

The June 30, 2007 audit reported no audit findings as defined in OMB Circular A-133, Section .510. Therefore, preparation of a corrective action plan is not applicable.



Mary Taylor, CPA
Auditor of State

ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2008**