

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SINGLE AUDIT**

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



**Mary Taylor, CPA**  
Auditor of State



**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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The management's discussion and analysis of the Garaway Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$38,455 which represents a 0.76% decrease from 2007.
- General revenues accounted for \$9,568,201 in revenue or 82.55% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,022,248 or 17.45% of total revenues of \$11,590,449.
- The District had \$11,628,904 in expenses related to governmental activities; \$2,022,248 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$9,568,201 were not adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$9,862,680 in revenues and other financing sources. The general fund had \$9,770,229 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund balance increased \$92,451 from a fund balance of \$2,874,265 to a fund balance of \$2,966,716.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting 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 programs and other factors.

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's only major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* than can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

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

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-48 of this report.

**The District as a Whole**

Recall that the statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2008 and 2007.

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 10,329,778	\$ 9,584,447
Capital assets, net	<u>3,168,606</u>	<u>3,319,410</u>
Total assets	<u>13,498,384</u>	<u>12,903,857</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,539,129	5,854,811
Long-term liabilities	<u>1,944,472</u>	<u>1,995,808</u>
Total liabilities	<u>8,483,601</u>	<u>7,850,619</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	1,922,529	1,946,640
Restricted	625,078	723,343
Unrestricted	<u>2,467,176</u>	<u>2,383,255</u>
Total net assets	<u>\$ 5,014,783</u>	<u>\$ 5,053,238</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$5,014,783.

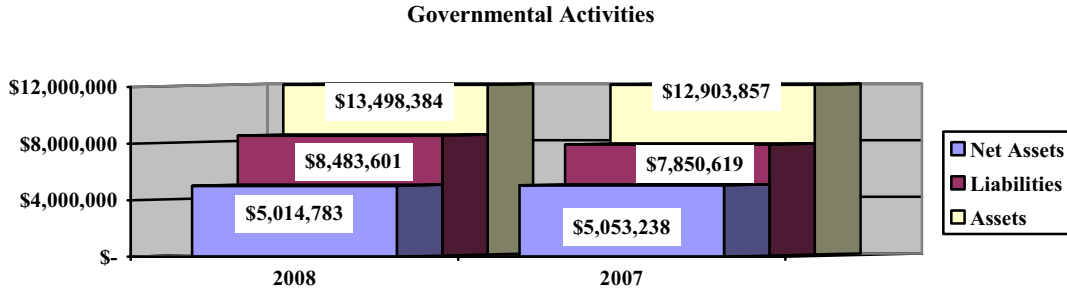
At year-end, capital assets represented 23.47% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$1,922,529. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$625,078, represents resources that are subject to external restriction on how they may be used. The District had a remaining balance of unrestricted net assets of \$2,467,176.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The graph below presents the District's assets, liabilities and net assets for fiscal year 2008 and 2007.



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

	<u>Change in Net Assets</u>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 1,019,591	\$ 926,376
Operating grants and contributions	982,724	989,253
Capital grants and contributions	19,933	13,037
General revenues:		
Property taxes	5,192,308	6,448,919
Grants and entitlements	4,182,725	3,940,303
Investment earnings	177,386	189,888
Other	15,782	19,939
Total revenues	<u>11,590,449</u>	<u>12,527,715</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
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	<b>Change in Net Assets</b>	
	Governmental Activities 2008	Governmental Activities 2007
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,425,912	\$ 5,205,421
Special	1,018,838	1,004,654
Vocational	2,355	3,601
Other	64,746	49,321
Support services:		
Pupil	412,493	273,044
Instructional staff	579,981	565,048
Board of education	16,288	18,683
Administration	1,048,236	993,647
Fiscal	390,808	357,483
Operations and maintenance	930,806	1,140,127
Pupil transportation	788,776	708,486
Central	38,208	36,244
Food service operations	444,943	469,975
Extracurricular activities	401,144	317,492
Interest and fiscal charges	65,370	70,772
Total expenses	11,628,904	11,213,998
Change in net assets	(38,455)	1,313,717
Net assets at beginning of year	5,053,238	3,739,521
Net assets at end of year	\$ 5,014,783	\$ 5,053,238

**Governmental Activities**

Net assets of the District's governmental activities decreased \$38,455. Total governmental expenses of \$11,628,904 were offset by program revenues of \$2,022,248 and general revenues of \$9,568,201. Program revenues supported 17.39% of the total governmental expenses.

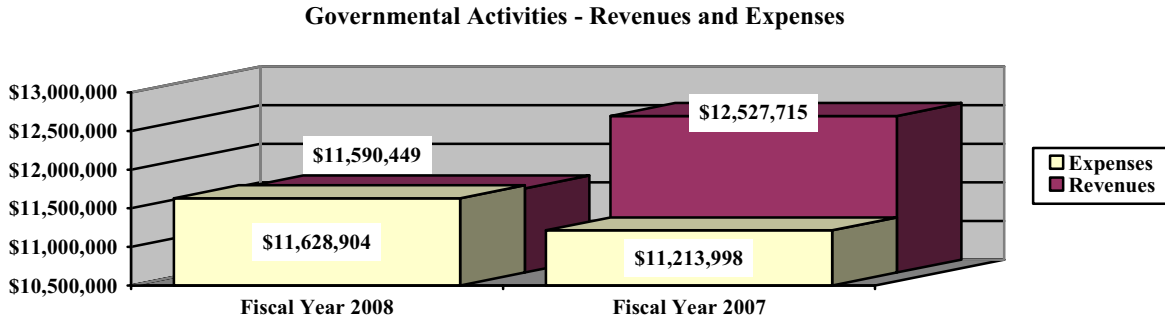
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.89% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,511,851 or 56.00% of total governmental expenses for fiscal year 2008.

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

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



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

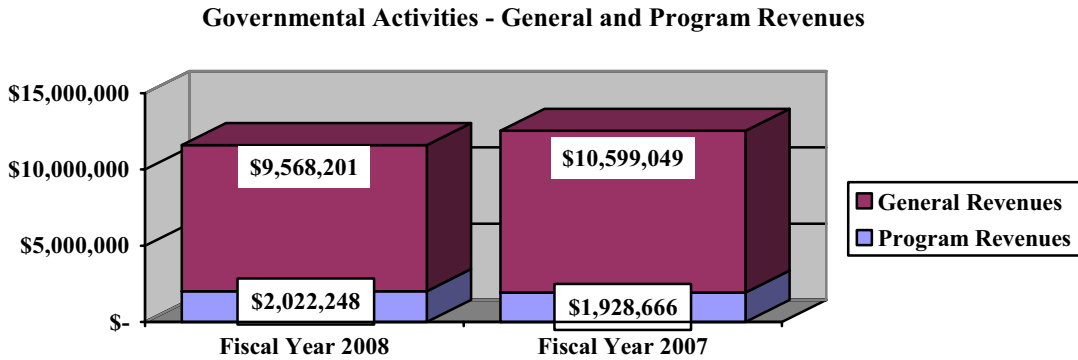
	<b>Governmental Activities</b>			
	Total Cost of Services 2008	Net Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2007
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,425,912	\$ 4,771,033	\$ 5,205,421	\$ 4,573,480
Special	1,018,838	461,809	1,004,654	493,332
Vocational	2,355	1,005	3,601	2,037
Other	64,746	64,746	49,321	49,321
Support services:				
Pupil	412,493	373,257	273,044	233,247
Instructional staff	579,981	409,170	565,048	388,433
Board of education	16,288	16,288	18,683	18,683
Administration	1,048,236	1,046,986	993,647	992,397
Fiscal	390,808	390,808	357,483	357,483
Operations and maintenance	930,806	914,957	1,140,127	1,113,566
Pupil transportation	788,776	740,134	708,486	659,671
Central	38,208	38,208	36,244	36,244
Food service operations	444,943	26,110	469,975	65,431
Extracurricular activities	401,144	286,775	317,492	231,235
Interest and fiscal charges	65,370	65,370	70,772	70,772
<b>Total expenses</b>	<u>\$ 11,628,904</u>	<u>\$ 9,606,656</u>	<u>\$ 11,213,998</u>	<u>\$ 9,285,332</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 81.37% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 82.61%. The District's taxpayers, as a whole, are by far the primary support for the District's students.

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

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



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,499,813, which is higher than last year's total of \$3,489,554. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance June 30, 2008	Fund Balance June 30, 2007	Increase (Decrease)	Percentage Change
General	\$ 2,966,716	\$ 2,874,265	\$ 92,451	3.22 %
Other Governmental	<u>533,097</u>	<u>615,289</u>	<u>(82,192)</u>	(13.36) %
Total	<u>\$ 3,499,813</u>	<u>\$ 3,489,554</u>	<u>\$ 10,259</u>	0.29% %

**General Fund**

The District's general fund balance increased \$92,451. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 4,758,254	\$ 5,913,461	\$ (1,155,207)	(19.54) %
Earnings on investments	177,377	189,888	(12,511)	(6.59) %
Intergovernmental	4,240,599	4,012,575	228,024	5.68 %
Other revenues	<u>666,906</u>	<u>595,785</u>	<u>71,121</u>	11.94 %
 Total	 <u>\$ 9,843,136</u>	 <u>\$ 10,711,709</u>	 <u>\$ (868,573)</u>	 (8.11) %
<b><u>Expenditures</u></b>				
Instruction	\$ 5,853,620	\$ 5,607,687	\$ 245,933	4.39 %
Support services	3,642,126	3,736,191	(94,065)	(2.52) %
Extracurricular activities	<u>239,483</u>	<u>229,705</u>	<u>9,778</u>	4.26 %
 Total	 <u>\$ 9,735,229</u>	 <u>\$ 9,573,583</u>	 <u>\$ 161,646</u>	 1.69 %

Tax revenue decreased \$1,155,207 or 19.54% from the prior year. This decrease was primarily attributable to two reasons. First, there was an approximate \$500,000 variance in the amount of tax advance that was available to the District from the county auditor at June 30, 2008 versus June 30, 2007. This variance resulted in less tax revenue being reported in fiscal year 2008. The amount of tax advances available from the county auditor can vary depending upon when tax bills are mailed. Secondly, tax revenue decreased due to the phase out of tangible personal property tax revenue. Intergovernmental revenue increased \$228,024 or 5.68% from the prior year. This increase is attributed to an increase in tangible personal property tax loss reimbursements from the State pursuant to Am. Sub. House Bill 66. Other revenues increased 11.94% due to an increase in tuition revenue. Instruction expenditures remained relatively consistent with 2007 experiencing increases primarily attributable to anticipated salary/wage increases.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2008, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,048,801 and final budgeted revenues and other financing sources were \$10,373,961. Actual revenues and other financing sources for fiscal year 2008 was \$10,378,232. This represents a \$4,271 increase over final budgeted revenues.

General fund original appropriations and other financing uses were \$9,687,507 and final appropriations and other financing uses were \$9,750,616. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$9,730,998, which was \$19,618 below the final appropriations.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2008, the District had \$3,168,606 invested in land, land improvements, buildings and improvements, furniture, fixtures, and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2008 balances compared to 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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**Capital Assets at June 30  
(Net of Depreciation)**

	Governmental Activities	
	2008	2007
Land	\$ 118,386	\$ 118,386
Land improvements	153,553	160,588
Building and improvements	2,199,059	2,313,577
Furniture, fixtures, and equipment	182,973	189,718
Vehicles	514,635	537,141
Total	\$ 3,168,606	\$ 3,319,410

The overall decrease in capital assets of \$150,804 is due to depreciation of \$225,600 exceeding capital outlays of \$101,085 and disposals net of accumulated depreciation of \$26,289 in the fiscal year.

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

***Debt Administration***

At June 30, 2008, the District had \$1,020,000 in general obligation bonds and \$274,551 in energy conservation notes outstanding. Of this total, \$163,818 is due within one year and \$1,130,733 is due within greater than one year. The following table summarizes the bonds and loans outstanding.

	Governmental Activities	
	2008	2007
General obligation bonds	\$ 1,020,000	\$ 1,145,000
Energy conservation notes	274,551	306,603
Total	\$ 1,294,551	\$ 1,451,603

At June 30, 2008, the District's overall legal debt margin was \$15,788,994, and an unvoted debt margin of \$182,746.

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**Current Financial Related Activities**

As the preceding information shows, the Garaway Local School District relies heavily upon its property taxpayers. As such, the future is not without challenges. Ohio's HB66 phases out the general personal tangible property tax base. Through a hold harmless clause, lost local tax revenue is being reimbursed by the State to school districts through the State Foundation Program formula and/or direct payments through tax year 2009. In the following seven years the direct reimbursement payments will then be phased out.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008  
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The District prepares a five-year financial forecast annually to assist in making sound financial decisions. The forecast includes in its basis \$1,487,300 in annual tax revenue being generated from an emergency levy through fiscal year 2010. The forecast also incorporates costs to be incurred as a result of the passage of former Governor Taft's CORE proposal for increased high school graduation credits. Employment costs resulting from successful negotiations with both staff unions covering three years are also included in the forecast.

Parents and community members strongly believe that their schools, although housed in aging facilities, are one of the highest priorities and one of the most important public institutions in their communities. Being ranked 445th of 612 school districts in Ohio, the District will not qualify for financial assistance from the Ohio School Facilities Commission for several years. The District has been fortunate to have a one-mill permanent improvement levy designated for the purpose of building maintenance and repair. This is a five-year limited term levy and has been renewed by District voters to continue through December 2009. During 2007/08, \$75,522 was paid from this permanent improvement fund (a nonmajor government fund) on various projects including \$13,689 towards the renovation of property at 214 Dover Road, Sugarcreek, as the future site of the District's central office.

The District also collects on another one-mill permanent improvement levy. In May 2007, District voters approved renewing this levy on a continuing basis for general permanent improvements. The District intends to continue using levy proceeds for technology and purchasing one or two buses each year.

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

Even with conservative spending strategies, the District is committed to educational excellence. The State of Ohio measures school districts by a defined set of proficiency criteria. The most recent State Report Card shows the District achieving an Excellent rating. The District has received excellent ratings five out of the past seven years. Along with academic success, the Board of Education believes in the value of a well-rounded education for its students. Within the Board's five-year forecast expenditures have been established to support a \$10,000 Arts Enrichment Program which promotes activities, presentations, and student field trips emphasizing fine arts. The District's extra-curricular program is exemplified by the boys golf team winning the State Division III Title for the second time and both the boys and girls basketball teams being State Division III finalists.

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

**Contacting the District's Financial Management**

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



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

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . .	\$ 4,572,395
Receivables:	
Taxes . . . . .	5,637,502
Accounts . . . . .	14,258
Intergovernmental . . . . .	59,979
Materials and supplies inventory . . . . .	4,785
Unamortized bond issue costs . . . . .	40,859
Capital assets:	
Land . . . . .	118,386
Depreciable capital assets, net . . . . .	3,050,220
Capital assets, net. . . . .	<u>3,168,606</u>
 Total assets. . . . .	 <u>13,498,384</u>
<b>Liabilities:</b>	
Accounts payable. . . . .	174,683
Accrued wages and benefits . . . . .	1,041,037
Intergovernmental payable . . . . .	266,294
Unearned revenue . . . . .	5,053,410
Accrued interest payable . . . . .	3,705
Long-term liabilities:	
Due within one year. . . . .	239,649
Due within more than one year . . . . .	1,704,823
Total long-term liabilities . . . . .	<u>1,944,472</u>
Total liabilities . . . . .	<u>8,483,601</u>
<b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	1,922,529
Restricted for:	
Capital projects . . . . .	174,145
Debt service. . . . .	364,942
Locally funded programs . . . . .	6,226
Student activities . . . . .	26,564
Public school support. . . . .	15,298
Other purposes . . . . .	37,903
Unrestricted. . . . .	<u>2,467,176</u>
Total net assets . . . . .	<u>\$ 5,014,783</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,425,912	\$ 569,018	\$ 78,235	\$ 7,626	\$ (4,771,033)
Special . . . . .	1,018,838	48,188	508,841	-	(461,809)
Vocational . . . . .	2,355	-	1,350	-	(1,005)
Other . . . . .	64,746	-	-	-	(64,746)
Support services:					
Pupil. . . . .	412,493	32,863	6,373	-	(373,257)
Instructional staff. . . . .	579,981	-	170,811	-	(409,170)
Board of education . . . . .	16,288	-	-	-	(16,288)
Administration. . . . .	1,048,236	-	1,250	-	(1,046,986)
Fiscal. . . . .	390,808	-	-	-	(390,808)
Operations and maintenance . . . . .	930,806	384	15,465	-	(914,957)
Pupil transportation. . . . .	788,776	33,534	2,801	12,307	(740,134)
Central . . . . .	38,208	-	-	-	(38,208)
Operation of non-instructional services:					
Food service operations . . . . .	444,943	226,167	192,666	-	(26,110)
Extracurricular activities. . . . .	401,144	109,437	4,932	-	(286,775)
Interest and fiscal charges . . . . .	65,370	-	-	-	(65,370)
<b>Total governmental activities . . . . .</b>	<b>\$ 11,628,904</b>	<b>\$ 1,019,591</b>	<b>\$ 982,724</b>	<b>\$ 19,933</b>	<b>(9,606,656)</b>

**General Revenues:**

Property taxes levied for:	
General purposes . . . . .	4,777,807
Capital projects . . . . .	191,679
Debt service. . . . .	222,822
Grants and entitlements not restricted to specific programs. . . . .	
Investment earnings . . . . .	177,386
Miscellaneous . . . . .	15,782
<b>Total general revenues. . . . .</b>	<b>9,568,201</b>
Change in net assets . . . . .	(38,455)
<b>Net assets at beginning of year . . . . .</b>	<b>5,053,238</b>
<b>Net assets at end of year . . . . .</b>	<b>\$ 5,014,783</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 3,785,048	\$ 749,444	\$ 4,534,492
Receivables:			
Taxes . . . . .	5,186,390	451,112	5,637,502
Accounts . . . . .	13,825	433	14,258
Intergovernmental . . . . .	4,508	55,471	59,979
Materials and supplies inventory . . . . .	-	4,785	4,785
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	37,903	-	37,903
Total assets . . . . .	\$ 9,027,674	\$ 1,261,245	\$ 10,288,919
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 31,560	\$ 143,123	\$ 174,683
Accrued wages and benefits . . . . .	923,529	117,508	1,041,037
Compensated absences payable . . . . .	49,127	-	49,127
Intergovernmental payable . . . . .	233,135	33,159	266,294
Deferred revenue . . . . .	178,841	25,714	204,555
Unearned revenue . . . . .	4,644,766	408,644	5,053,410
Total liabilities . . . . .	6,060,958	728,148	6,789,106
<b>Fund Balances:</b>			
Reserved for encumbrances . . . . .	2,986	3,837	6,823
Reserved for materials and supplies inventory . . . . .	-	4,785	4,785
Reserved for debt service . . . . .	-	347,527	347,527
Reserved for property tax unavailable for appropriation . . . . .	362,783	28,591	391,374
Reserved for school bus purchase . . . . .	37,903	-	37,903
Unreserved, undesignated (deficit), reported in:			
General fund . . . . .	2,563,044	-	2,563,044
Special revenue funds . . . . .	-	(4,440)	(4,440)
Capital projects funds . . . . .	-	152,797	152,797
Total fund balances . . . . .	2,966,716	533,097	3,499,813
Total liabilities and fund balances . . . . .	\$ 9,027,674	\$ 1,261,245	\$ 10,288,919

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$	3,499,813
<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.			3,168,606
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	192,718	
Intergovernmental revenue		11,837	
Total			204,555
Unamortized deferred charges are not recognized in the funds.			27,344
Unamortized premiums on bond issuance are not recognized in the funds.			(19,729)
Unamortized bond issuance costs are not recognized in the funds.			40,859
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(3,705)
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(608,409)	
Energy conservation note		(274,551)	
General obligation bonds payable		(1,020,000)	
Total			(1,902,960)
<b>Net assets of governmental activities</b>		<b>\$</b>	<b><u>5,014,783</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Taxes . . . . .	\$ 4,758,254	\$ 412,930	\$ 5,171,184
Tuition . . . . .	550,970	-	550,970
Transportation fees . . . . .	33,534	-	33,534
Earnings on investments . . . . .	177,377	9	177,386
Charges for services . . . . .	-	225,322	225,322
Extracurricular . . . . .	-	140,581	140,581
Classroom materials and fees . . . . .	66,236	-	66,236
Other local revenues . . . . .	16,166	14,147	30,313
Intergovernmental - state . . . . .	4,240,599	125,309	4,365,908
Intergovernmental - federal . . . . .	-	801,741	801,741
Total revenue . . . . .	<u>9,843,136</u>	<u>1,720,039</u>	<u>11,563,175</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	5,160,597	172,062	5,332,659
Special . . . . .	626,412	368,102	994,514
Vocational . . . . .	1,865	-	1,865
Other . . . . .	64,746	-	64,746
Support services:			
Pupil . . . . .	230,300	179,692	409,992
Instructional staff . . . . .	401,821	166,793	568,614
Board of education . . . . .	16,288	-	16,288
Administration . . . . .	1,036,718	1,339	1,038,057
Fiscal . . . . .	375,042	17,956	392,998
Operations and maintenance . . . . .	825,822	89,776	915,598
Pupil transportation . . . . .	717,927	70,998	788,925
Central . . . . .	38,208	-	38,208
Operation of non-instructional services:			
Food service operations . . . . .	-	444,953	444,953
Extracurricular activities . . . . .	239,483	108,709	348,192
Facilities acquisition and construction . . . . .	-	1,536	1,536
Debt service:			
Principal retirement . . . . .	-	157,052	157,052
Interest and fiscal charges . . . . .	-	58,263	58,263
Total expenditures . . . . .	<u>9,735,229</u>	<u>1,837,231</u>	<u>11,572,460</u>
Excess of revenues over (under) expenditures . . . . .	<u>107,907</u>	<u>(117,192)</u>	<u>(9,285)</u>
<b>Other financing sources (uses):</b>			
Sale of capital assets . . . . .	19,544	-	19,544
Transfers in . . . . .	-	35,000	35,000
Transfers (out) . . . . .	(35,000)	-	(35,000)
Total other financing sources (uses) . . . . .	<u>(15,456)</u>	<u>35,000</u>	<u>19,544</u>
Net change in fund balances . . . . .	92,451	(82,192)	10,259
<b>Fund balances at beginning of year . . . . .</b>	<u>2,874,265</u>	<u>615,289</u>	<u>3,489,554</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 2,966,716</u>	<u>\$ 533,097</u>	<u>\$ 3,499,813</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Net change in fund balances - total governmental funds</b>	\$	10,259
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 101,085	
Current year depreciation	<u>(225,600)</u>	
Total		(124,515)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.		
		(26,289)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	21,124	
Intergovernmental revenue	<u>6,150</u>	
Total		27,274
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in more interest being reported in the statement of activities:		
Decrease in accrued interest payable	449	
Amortization of deferred charges on refundings	(4,262)	
Amortization of bond premium	3,074	
Amortization of bond issuance costs	<u>(6,368)</u>	
Total		(7,107)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		157,052
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		<u>(75,129)</u>
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b><u><u>(38,455)</u></u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 5,100,287	\$ 5,265,969	\$ 5,265,279	\$ (690)
Tuition. . . . .	533,634	550,969	550,970	1
Transportation fees . . . . .	23,518	24,282	24,830	548
Earnings on investments. . . . .	172,605	178,212	177,377	(835)
Classroom materials and fees . . . . .	64,098	66,180	66,218	38
Other local revenues . . . . .	17,771	18,348	17,642	(706)
Intergovernmental - State . . . . .	4,097,681	4,230,794	4,236,091	5,297
Total revenue . . . . .	<u>10,009,594</u>	<u>10,334,754</u>	<u>10,338,407</u>	<u>3,653</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	6,436,631	6,478,714	5,137,995	1,340,719
Special. . . . .	97,455	98,092	624,478	(526,386)
Vocational. . . . .	1,957	1,970	1,865	105
Other. . . . .	16,495	16,603	67,146	(50,543)
Support services:				
Pupil. . . . .	49,118	49,439	230,483	(181,044)
Instructional staff . . . . .	123,363	124,170	400,838	(276,668)
Board of education . . . . .	27,062	27,239	24,968	2,271
Administration. . . . .	698,108	702,672	1,013,550	(310,878)
Fiscal . . . . .	266,724	268,468	374,749	(106,281)
Operations and maintenance. . . . .	1,406,826	1,416,024	820,776	595,248
Pupil transportation . . . . .	248,123	249,745	719,377	(469,632)
Central. . . . .	37,625	37,871	38,211	(340)
Extracurricular activities. . . . .	243,020	244,609	239,840	4,769
Total expenditures . . . . .	<u>9,652,507</u>	<u>9,715,616</u>	<u>9,694,276</u>	<u>21,340</u>
Excess of revenues over expenditures. . . . .	<u>357,087</u>	<u>619,138</u>	<u>644,131</u>	<u>24,993</u>
<b>Other financing sources (uses):</b>				
Refund of prior year expenditure . . . . .	6,625	6,625	7,243	618
Refund of prior year (receipts) . . . . .	-	-	(1,722)	(1,722)
Transfers (out) . . . . .	(35,000)	(35,000)	(35,000)	-
Advances in. . . . .	13,038	13,038	13,038	-
Sale of capital assets. . . . .	19,544	19,544	19,544	-
Total other financing sources (uses). . . . .	<u>4,207</u>	<u>4,207</u>	<u>3,103</u>	<u>(1,104)</u>
Net change in fund balance . . . . .	361,294	623,345	647,234	23,889
<b>Fund balance at beginning of year. . . . .</b>	<b>3,136,300</b>	<b>3,136,300</b>	<b>3,136,300</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>18,133</b>	<b>18,133</b>	<b>18,133</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<u><u>\$ 3,515,727</u></u>	<u><u>\$ 3,777,778</u></u>	<u><u>\$ 3,801,667</u></u>	<u><u>\$ 23,889</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2008

		<u>Agency</u>
<b>Assets:</b>		
Equity in pooled cash		
and cash equivalents . . . . .	\$	55,620
Receivables:		
Accounts . . . . .		<u>75</u>
Total assets. . . . .	\$	<u><u>55,695</u></u>
<b>Liabilities:</b>		
Due to students . . . . .	\$	<u>55,695</u>
Total liabilities . . . . .	\$	<u><u>55,695</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

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

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

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

The District ranks as the 432 largest by enrollment among the 896 public school districts and community schools in the State and 6<sup>th</sup> largest in Tuscarawas County. The District is staffed by 56 non-certified employees, 90 certified full-time teaching personnel and 6 administrative employees who provide services to 1,197 students and other community members.

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

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

**A. Reporting Entity**

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

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

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Buckeye Joint Vocational School District

The Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. The Joint Vocational School District's Board of Education is comprised of representatives from the Board of Education of each participating school district. The Joint Vocational School District's Board of Education is responsible for approving its own budgets, appointing personnel, and accounting and finance related activities. The District's students may attend the Joint Vocational School District. Each participating District's control is limited to its representation on the Joint Vocational School District's Board of Education. During fiscal 2008, no monies were paid to the Joint Vocational School District from the District.

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

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

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

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

OME-RESA is owned and operated by 49 member districts in 10 different Ohio counties. The member districts are comprised of public districts and county Boards of Education. Each member district pays an annual fee for services provided by OME-RESA. OME-RESA is governed by a Board of Directors, which is selected by the member districts. Each member district has one vote in all matters and each member district's control over budgeting and financing of OME-RESA is limited to its voting authority and any representation it may have on the Board of Directors. During fiscal year 2008, the District paid \$11,784 in administrative fees to OME-RESA.

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

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

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

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

Tuscarawas County Tax Incentive Review Council

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

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

*PUBLIC ENTITY RISK POOLS*

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

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

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

East Ohio Schools Employees Insurance Consortium

The East Ohio Schools Employees Insurance Consortium (the "Consortium") is an insurance pool between the District, Dover City School District and Buckeye Joint Vocational School District that was formed on October 1, 2002. The Consortium was established in order to act as a common risk management and insurance program. The Consortium's Board of Directors is comprised of one member from each of the districts (the Superintendent or designee). Refer to Note 11.C for further information on the Consortium. During fiscal year 2008, the District paid \$34,897 in administrative fees to the Consortium.

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

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

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

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

The East Ohio Schools Employees Insurance Consortium joined the OME-RESA Health Benefits Program (the "Program") effective December 1, 2005. The Program is a consortium of school districts and other political subdivisions organized and existing as a joint self-insurance program pursuant to Section 9.833 of the Ohio Revised Code providing health care and related insurance benefits to over fifty member organizations. The Program's business affairs are conducted by a nine-member Board of Directors elected from member organizations. Each member organization pays a monthly premium based on their claims history and monthly administration fee. The Program recognizes the East Ohio Schools Employees Insurance Consortium as a separate and distinct entity within OME-RESA retaining its by-laws in force while a member of the Program.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have any proprietary funds.

*GOVERNMENTAL FUNDS*

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

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

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

*FIDUCIARY FUNDS*

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

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

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

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

**C. Basis of Presentation and Measurement Focus**

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2008 are recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

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

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

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

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2008 is as follows:

1. On July 25, 2002, the Tuscarawas County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. In order to complete other necessary documents, the Budget Commission now requires certain information to be filed by May 1. Information required includes the general fund five year forecast submitted to the Department of Education, projected revenues and expenditures line items for all levy funds, projected revenues and debt requirements (principal and interest) and amortization schedules for the debt service fund, and balances and total anticipated activity for all other funds.
2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates of Estimated Resources issued for fiscal year 2008.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2008; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.

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

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

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

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

**F. Cash and Investments**

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

During fiscal year 2008, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and 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, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2008. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2008.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$177,377, which includes \$30,638 assigned from other funds.

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

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

**G. Inventory**

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

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



**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District maintains a capitalization threshold of \$25,000 for land improvements and building improvements and \$1,500 for furniture, fixtures and equipment and vehicles. Donated capital assets are recorded at their fair market values as of the date received. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss**

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

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

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

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9. A.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets. The District had no interfund loans receivables/payables at June 30, 2008.

**K. Compensated Absences**

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

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, debt service, property tax revenue unavailable for appropriation and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

**N. Net Assets**

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

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to purchase school buses. This reserve is required by State statute. A schedule of statutory reserves is presented in Note 17.

**Q. Interfund Activity**

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

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

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

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2008, the District did not incur any transactions that would be classified as an extraordinary item or special item.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

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

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

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

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

**B. Deficit Fund Balances**

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

<u>Nonmajor Funds</u>	<u>Deficit</u>
Food Service	\$ 38,415
Entry Year Programs	4
Title VI-B	6,266
Drug-Free School Grant	8

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

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

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

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

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

**A. Deposits with Financial Institutions**

At June 30, 2008, the carrying amount of all District deposits was \$4,037,155. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$4,006,641 of the District's bank balance of \$4,106,641 was exposed to custodial risk as discussed below, while \$100,000 was covered by the Federal Deposit Insurance Corporation.

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

**B. Investments**

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
STAR Ohio	\$ 402,975	\$ 402,975
Repurchase agreement	187,885	187,885
Total	<u>\$ 590,860</u>	<u>\$ 590,860</u>

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

*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. Of the District's \$187,885 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% Total</u>
STAR Ohio	\$ 402,975	68.20
Repurchase agreement	187,885	31.80
Total	<u>\$ 590,860</u>	<u>100.00</u>

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

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2008:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ 4,037,155
Investments	590,860
Total	<u>\$ 4,628,015</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,572,395
Agency funds	55,620
Total	<u>\$ 4,628,015</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund financial statements:

	<u>Amount</u>
Transfers from general fund to nonmajor governmental funds	\$ 35,000

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

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

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

**NOTE 6 - PROPERTY TAXES**

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

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

Public utility property tax revenue received in calendar 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after October 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage is property, including inventory, is 12.5% for 2007. This percentage will be reduced to 6.25% for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2007-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.



**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

The District receives property taxes from Tuscarawas, Holmes and Coshocton Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

The amount available as an advance at June 30, 2008 was \$362,783 in the general fund, \$14,346 in the debt service fund (a nonmajor governmental fund) and \$14,245 in the Permanent Improvement capital projects fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount that was available as an advance at June 30, 2007 was \$869,810 in the general fund, \$32,181 in the debt service fund (a nonmajor governmental fund) and \$35,104 in the Permanent Improvement fund (a nonmajor governmental fund).

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

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

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 165,921,090	86.10	\$ 178,146,110	90.47
Public utility personal	5,501,980	2.86	4,686,920	2.38
Tangible personal property	<u>21,274,084</u>	<u>11.04</u>	<u>14,077,777</u>	<u>7.15</u>
Total	<u>\$ 192,697,154</u>	<u>100.00</u>	<u>\$ 196,910,807</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$52.50		\$52.30	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTE 7 - RECEIVABLES - (Continued)**

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

**Governmental Activities:**

Taxes	\$ 5,637,502
Accounts	14,258
Intergovernmental	<u>59,979</u>
Total	<u>\$ 5,711,739</u>

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

**NOTE 8 - CAPITAL ASSETS**

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

<b>Governmental Activities</b>	<u>Balance 06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/08</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 118,386	\$ -	\$ -	\$ 118,386
Total capital assets, not being depreciated	<u>118,386</u>	<u>-</u>	<u>-</u>	<u>118,386</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	220,815	-	-	220,815
Buildings and improvements	4,873,781	-	-	4,873,781
Furniture, fixtures and equipment	749,949	31,420	(28,190)	753,179
Vehicles	<u>907,374</u>	<u>69,665</u>	<u>(98,121)</u>	<u>878,918</u>
Total capital assets, being depreciated	<u>6,751,919</u>	<u>101,085</u>	<u>(126,311)</u>	<u>6,726,693</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(60,227)	(7,035)	-	(67,262)
Buildings and improvements	(2,560,204)	(114,518)	-	(2,674,722)
Furniture, fixtures and equipment	(560,231)	(38,165)	28,190	(570,206)
Vehicles	<u>(370,233)</u>	<u>(65,882)</u>	<u>71,832</u>	<u>(364,283)</u>
Total accumulated depreciation	<u>(3,550,895)</u>	<u>(225,600)</u>	<u>100,022</u>	<u>(3,676,473)</u>
Governmental activities capital assets, net	<u>\$ 3,319,410</u>	<u>\$ (124,515)</u>	<u>\$ (26,289)</u>	<u>\$ 3,168,606</u>

**GARAWAY LOCAL SCHOOL DISTRICT  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 55,186
Special	13,517
Vocational	1,242
<u>Support Services:</u>	
Pupil	1,169
Instructional staff	6,722
Administration	7,117
Fiscal	590
Operations and maintenance	12,020
Pupil transportation	65,882
Food service operations	2,289
Extracurricular	<u>59,866</u>
Total depreciation expense	<u>\$ 225,600</u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

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

	Balance Outstanding <u>06/30/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>06/30/08</u>	Amounts Due in <u>One Year</u>
<b>Governmental Activities:</b>					
G.O. Refunding Bonds - Series 2005	\$ 1,145,000	\$ -	\$ (125,000)	1,020,000	\$ 130,000
Energy conservation note	306,603	-	(32,052)	274,551	33,818
Compensated absences	<u>553,008</u>	<u>149,553</u>	<u>(45,025)</u>	<u>657,536</u>	<u>75,831</u>
Total	<u>\$ 2,004,611</u>	<u>\$ 149,553</u>	<u>\$ (202,077)</u>	1,952,087	<u>\$ 239,649</u>
Less: deferred charge on refunding				(27,344)	
Add: unamortized premium				<u>19,729</u>	
Total on statement of net assets				<u>\$ 1,944,472</u>	

*Compensated Absences:* Compensated absences will be paid from the fund from which the employee's salaries are paid which, for the District is primarily the general fund, food service fund (a nonmajor governmental fund), the Title I fund (a nonmajor governmental fund) and the Title VI-B fund (a nonmajor governmental fund).

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

The reacquisition price exceeded the net carrying amount of the old debt by \$39,063. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

Year Ended	Current Interest Bonds		
	Principal	Interest	Total
2009	\$ 130,000	\$ 38,425	\$ 168,425
2010	135,000	33,619	168,619
2011	140,000	28,463	168,463
2012	145,000	22,937	167,937
2013	150,000	17,037	167,037
2014 - 2016	320,000	14,857	334,857
Total	<u>\$ 1,020,000</u>	<u>\$ 155,338</u>	<u>\$ 1,175,338</u>

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

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**NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ending <u>June 30</u>	Principal on <u>Note</u>	Interest on <u>Note</u>	<u>Total</u>
2009	\$ 33,818	\$ 13,609	\$ 47,427
2010	35,635	11,792	47,427
2011	37,553	9,874	47,427
2012	39,551	7,876	47,427
2013	41,698	5,729	47,427
2014 - 2015	<u>86,296</u>	<u>4,602</u>	<u>90,898</u>
Total	<u>\$ 274,551</u>	<u>\$ 53,482</u>	<u>\$ 328,033</u>

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$15,788,994 (including available funds of \$361,873) and an unvoted debt margin of \$182,746.

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees and administrators who are contracted to work 248 days or more per year earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to employees upon termination of employment or retirement. Administrators, teachers and classified employees who work less than 248 days per year do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 216 days for certified employees and 215 days for classified employees. Upon termination of employment or retirement, a certified employee or administrator receives payment for one-fourth of the total sick leave accumulation up to a maximum accumulation of 54 days. Upon termination of employment or retirement, a classified employee is paid for one-fourth of the total sick leave accumulation to a maximum accumulation of 53 days.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 10 - EMPLOYEE BENEFITS - (Continued)**

**B. Life Insurance**

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

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2008, the District contracted with Indiana Insurance Company for property insurance, and fleet insurance. Coverages provided and deductibles are as follows:

Building and Contents - replacement cost (\$1,000 deductible)	\$36,678,743
Inland Marine Coverage (\$250 deductible)	341,076
Boiler and Machinery (\$1,000 deductible)	36,678,743
Automobile Liability (no deductible)	1,000,000
Uninsured Motorists (no deductible)	1,000,000

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

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

**B. Workers' Compensation**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 11 - RISK MANAGEMENT - (Continued)**

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

Effective October 1, 2002 the District formed the East Ohio Schools Employees Insurance Consortium as a charter member with two other local school districts. For certified and classified employees, the Consortium provides medical/surgical coverage which is 100% in-network and 90% out-of-network paid of reasonable and customary charges. Major medical expense coverage includes a \$100 individual and \$200 family annual deductible in-network and \$200 individual and \$400 family annual deductible out-of-network, followed by a 90% in-network and 80% out-of-network employee co-payment to a \$250 per person and \$500 per family in-network and \$500 per person and \$1,000 per family out-of-network out-of-pocket maximum. A third party administrator, Klais & Company, Inc., of Akron, Ohio, reviews all claims which are then paid by the Consortium. The Consortium purchases stop-loss coverage of \$400,000 per individual from ING through the OME-RESA Health Benefits Program. There is an internal pool from \$35,000 to \$365,000 for stop-loss coverage. For employees hired on or before June 30, 2004 the Board pays one hundred percent (100%) of the premium for full-time and fifty percent (50%) of the premium for part-time employees for single or family coverage. For employees hired on or after July 1, 2004 the Board pays ninety-five percent (95%) of the premium for full-time and forty-seven and one-half percent (47½%) of the premium for part-time employees for single or family coverage. The District also provides dental and vision coverage through the Consortium. Premiums are paid by the District at a rate of 90% for full-time employees and 50% for part-time employees. The premium is paid by the fund that paid the salary for the employee.

Total required monthly premiums for coverage are as follows:

	<u>Family</u>	<u>Individual</u>
Medical/Surgical	\$ 1,032.61	\$ 413.04
Dental	66.63	26.66
Vision	10.97	4.39

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

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

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$121,372, \$125,327 and \$133,083, respectively; 45.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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

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

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

Funding Policy - For fiscal year 2008, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.



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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 12 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$601,046, \$583,917, and \$570,938, respectively; 83.15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$8,416 made by the District and \$24,318 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

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

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

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

The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$79,672, \$66,147 and \$50,350, respectively; 45.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**GARAWAY LOCAL SCHOOL DISTRICT  
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**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$8,745, \$8,522, and \$10,592, respectively; 45.43 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$46,234, \$44,917 and \$43,918, respectively; 83.15 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

**GARAWAY LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ 647,234
Net adjustment for revenue accruals	(495,271)
Net adjustment for expenditure accruals	(62,237)
Net adjustment for other sources/uses	(18,559)
Adjustment for encumbrances	<u>21,284</u>
GAAP basis	<u>\$ 92,451</u>

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**NOTE 16 - SIGNIFICANT SUBSEQUENT EVENTS**

An emergency levy (8.8 mills) effective tax year 2004, for a term of five years, expires December 31, 2008. The levy generates \$1,487,300 annually. The next opportunity the Board of Education will have to renew or replace this levy will be at the May 2009 election.

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statute, into reserves for the purchase of textbooks and other instructional materials and for the acquisition and construction of capital improvements. These reserves are calculated and presented on a cash basis.

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

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

**NOTE 17 - STATUTORY RESERVES - (Continued)**

During the fiscal year ended June 30, 2008, the reserve activity was as follows:

	Texbooks/ Instructional Material <u>Textbooks</u>	Capital <u>Acquisition</u>
Set-aside balance as of June 30, 2007	\$ (521,633)	\$ -
Current year set-aside requirement	184,241	184,241
Current year offsets	(52,346)	(180,377)
Qualifying disbursements	<u>(177,271)</u>	<u>(66,825)</u>
Total	<u>\$ (567,009)</u>	<u>\$ (62,961)</u>

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks/instructional materials reserve may be carried forward to reduce the set-aside requirement for future years. The negative amount in the capital acquisition reserve may not be carried forward.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2008 follows:

Amounts restricted for school bus purchase	<u>\$ 37,903</u>
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**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
National School Breakfast Program	N/A	10.553	\$6,200		\$6,200	
National School Lunch Program	N/A	10.555	141,273	\$55,645	141,273	\$55,130
Total U.S. Department of Agriculture			<b>147,473</b>	<b>55,645</b>	<b>147,473</b>	<b>55,130</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF-08 6B-SF-07	84.027	306,297 44,333		272,153 52,757	
Total Special Education Grants to States			<b>350,630</b>		<b>324,910</b>	
Technology Literacy Challenge Fund Grants	TJ-S1-08 TJ-S1-07	84.318	2,161 38		2,161 38	
Total Technology Literacy Challenge Fund Grants			<b>2,199</b>		<b>2,199</b>	
Title I Grants to Local Educational Agencies	C1-S1-08 C1-S1-07	84.010	192,218 33,416		175,343 35,298	
Total Title I Grants to Local Educational Agencies			<b>225,634</b>		<b>210,641</b>	
Innovative Educational Program Strategies	C2-S1-08	84.298	<b>2,723</b>		<b>2,723</b>	
Safe and Drug-Free Schools and Communities State Grants	DR-S1-08	84.186	<b>2,623</b>		<b>2,623</b>	
Improving Teacher Quality State Grants	TR-S1-08 TR-S1-07	84.367	62,252 7,097		61,432 7,362	
Total Improving Teacher Quality State Grants			<b>69,349</b>		<b>68,794</b>	
Total U.S. Department of Education			<b>653,158</b>		<b>611,890</b>	
<b>Totals</b>			<b>\$800,631</b>	<b>\$55,645</b>	<b>\$759,363</b>	<b>\$55,130</b>

*The accompanying notes to this schedule are an integral part of this schedule.*

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
JUNE 30, 2008**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) summarizes activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - FOOD DONATION DISTRIBUTION**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received.

**NOTE C - CHILD NUTRITION CLUSTER**

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

**NOTE D – TRANSFERS**

The District generally must spend Federal assistance within 15 months of receipt. However, with Ohio Department of Education (ODE) approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. The District tracks this by utilizing special cost centers for each year's activity and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the Ohio Department of Education authorized the following transfers:

<u>CFDA</u> <u>Number</u>	<u>Program Description</u>	<u>Pass-Through</u> <u>Number</u>	<u>Transfer- In</u>	<u>Transfer-Out</u>
84.010	Title I Grants To States	C1-S1-09	\$4,236	
84.010	Title I Grants To States	C1-S1-08		\$4,236
84.027	Special Education-Grants to States	6B-SF-09	7,715	
84.027	Special Education-Grants to States	6B-SF-08		7,715
84.186	Drug-Free Schools Grant	DR-S1-09	27	
84.186	Drug-Free Schools Grant	DR-S1-08		27
84.367	Improving Teacher Quality	TR-S1-09	747	
84.367	Improving Teacher Quality	TR-S1-08		747



# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, the major General Fund and the aggregate remaining fund information of the Garaway Local School District, Tuscarawas County, Ohio (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 14, 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the District's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

November 14, 2008





# Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

### Compliance

We have audited the compliance of the Garaway Local School District, Tuscarawas County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Garaway Local School District, Tuscarawas County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program 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 internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

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

Our consideration of 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.

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



**Mary Taylor, CPA**  
Auditor of State

November 14, 2008

**GARAWAY LOCAL SCHOOL DISTRICT  
TUSCARAWAS COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2008**

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

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

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

None.

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

None.





**Mary Taylor, CPA**  
Auditor of State

**GARAWAY LOCAL SCHOOL DISTRICT**

**TUSCARAWAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
DECEMBER 24, 2008**