

GENEVA AREA CITY SCHOOL DISTRICT

AUDIT REPORT

For the Year Ended June 30, 1999

Charles E. Harris & Associates
Certified Public Accountants

GENEVA AREA CITY SCHOOL DISTRICT
AUDIT REPORT
For the Year Ended June 30, 1999

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AUDIT REPORT
For the Year Ended June 30, 1999**

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Geneva Area City School District

List of Principal Officials

June 30, 1999

BOARD OF EDUCATION	
Donald E. Walker	President
Terry W. Persily	Vice President
Kathleen C. Bobulsky	Member
Norman O. Perala	Member
Judith A. Robson	Member

TREASURER
Kevin Lillie

ADMINISTRATION	
Ronald J. Donatone	Superintendent
Joanna L. Daniels	Geneva Area High School Principal
Norman Urcheck	Geneva Area High School Assistant Principal
Richard Belconis	Geneva Junior High School
Gerald R. Sykes	Austinburg Elementary School Principal
Eric M. Kujala	Cork Elementary School Principal
John M. Spiesman	Geneva Elementary School Principal
John M. Spiesman	Krzic Elementary School Principal
Michael R. Penzenik	Spencer Elementary School Principal

**Geneva Area City School District
Audit Report
For the Year Ended June 30, 1999**

INDEX OF FUNDS AND ACCOUNT GROUPS

GOVERNMENTAL FUND TYPES:

General Fund:
General Fund

Special Revenue Funds:

CAFS Fund
Athletics and Music Fund
Auxiliary Fund
Teacher Development Fund
Educational Management Information System Fund
DPIA Fund
Title I Grant Fund
Title II Grant Fund
Title VI Grant Fund
Title VI-B Grant Fund
Drug Free School Grant Fund
PreSchool Grant Funds

Debt Service Fund:

Bond Retirement Fund

Capital Projects Funds:

Permanent Improvements Fund
Library Building Fund
Vocational Education Equipment Fund
SchoolNet Fund
Technology Equity Fund

PROPRIETARY FUND TYPES:

Enterprise Funds:

Lunchroom Fund
Uniform School Supplies Fund

Internal Service Fund:

Intradistrict Health Club Fund

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INDEX OF FUNDS AND ACCOUNT GROUPS - (continued)

FIDUCIARY FUND TYPES:

Expendable Trust Fund:
Memorial Funds

Non-Expendable Trust Fund:
Scholarship Fund

Agency Fund:
Student Activities Fund

ACCOUNT GROUPS:

General Fixed Asset Account Group
General Long-Term Obligations Account Group



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Geneva Area City School District
Geneva, Ohio

We have reviewed the independent auditor's report of the Geneva Area City School District, Ashtabula County, prepared by Charles E. Harris & Associates, Inc., Certified Public Accountants, for the audit period July 1, 1998 through June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink, appearing to read "Jim Petro", written over a circular stamp or mark.

JIM PETRO
Auditor of State

April 20, 2000

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

INDEPENDENT ACCOUNTANT'S REPORT

Board of Education
Geneva Area City School District
Geneva, Ohio

We have audited the accompanying general purpose financial statements of Geneva Area City School District (the District), as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 14, 2000 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 grants.

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

Charles E. Harris & Associates

Charles E. Harris & Associates
January 14, 2000

**Geneva Area City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 1999**

	Governmental Fund Types			Proprietary Fund Types			Fiduciary Fund Types			Account Groups		Totals
	General	Special Revenue	Debt	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	Long Term Debt	1999		
										General	(Memorandum)	
Assets and Other Debits:	\$ 3,063,606	406,684	77,010	663,687	98	1,055	99,869	0	0	0	\$ 4,332,209	
Equity in Pooled Cash and Cash Equivalents	230,163	0	0	0	0	0	0	0	0	0	230,163	
Restricted Asset	0	0	15,000	0	0	0	0	0	0	0	15,000	
Cash with Fiscal Agent	5,185,026	0	77,448	159,417	0	0	0	0	0	0	5,421,891	
Taxes Receivable	58,809	0	0	0	0	0	0	0	0	0	58,809	
Interfund Receivable	350	0	0	49,999	0	0	0	0	0	0	50,349	
Intergovernmental Receivables	30,156	2,322	0	0	0	0	0	0	0	0	32,478	
Accounts Receivable	55,470	0	0	0	2,075	0	0	0	0	0	57,545	
Supplies Inventory	0	0	0	0	17,243	0	0	0	0	0	17,243	
Inventory for Resale	0	0	0	0	397,356	0	0	11,561,952	0	0	11,959,308	
Property, Plant & Equipment	0	0	0	0	0	0	0	0	0	0	0	
Accumulated Depreciation, where applicable	0	0	0	0	0	0	0	0	0	0	0	
Amount Available in Debt Service Fund	0	0	0	0	(216,940)	0	0	0	0	104,112	(216,940)	
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	0	0	0	
Total Assets and Other Debits	\$ 8,625,580	409,206	169,456	893,103	199,832	1,055	99,869	11,561,952	2,466,368	2,382,256	\$ 24,444,403	

(Continued)

**Geneva Area City School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 1999**

	Governmental Fund Types				Proprietary Fund Types			Fiduciary Fund Types			Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General	Fixed Assets	Long Term Debt	General	Memorandum (Only)	1999
													(Only)
Liabilities:													
Interfund Payable	0	0	0	49,989	8,810	0	0	0	0	0	0	0	58,809
Intergovernmental Payable	373,609	4,008	0	0	3,285	0	0	0	0	121,802	0	0	502,804
Accounts Payable	60,133	24,169	0	0	0	0	60	0	0	0	0	0	84,362
Matured Bonds & Coupons Payable	0	0	15,000	0	0	0	0	0	0	0	0	0	15,000
Accrued Salaries and Benefits	1,585,313	53,169	0	0	40,685	0	0	0	0	0	0	0	1,679,167
Deferred Revenue	3,201,220	0	50,346	102,410	18,567	0	0	0	0	0	0	0	3,372,543
Due to Others	0	0	0	0	0	0	48,320	0	0	0	0	0	48,320
General Obligation Notes Payable	0	0	0	425,000	0	0	0	0	0	0	0	0	425,000
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	0	940,000	0	0	940,000
Capital Leases Payable	0	0	0	0	0	0	0	0	0	0	2,191	0	2,191
Compensated Absences Payable	9,303	0	0	0	33,609	0	0	0	0	1,422,375	0	0	1,465,487
Total Liabilities	5,229,478	81,348	65,346	577,409	105,156	0	48,380	0	2,486,368	0	2,486,368	0	8,593,483
Fund Equity and Other Credits:													
Investment in General Fixed Assets	0	0	0	0	0	0	0	0	0	11,561,952	0	0	11,561,952
Contributed Capital	0	0	0	0	23,264	0	0	0	0	0	0	0	23,264
Retained Earnings	0	0	0	0	71,412	1,055	0	0	0	0	0	0	72,467
Fund Balances:													
Reserved for HB 412	230,163	0	0	0	0	0	0	0	0	0	0	0	230,163
Reserved for Inventory	55,470	0	0	0	0	0	0	0	0	0	0	0	55,470
Reserved for Encumbrances	186,750	86,877	0	159,334	0	0	1,250	0	0	0	0	0	434,211
Reserved for Future Appropriation	1,983,806	0	27,101	57,007	0	0	0	0	0	0	0	0	2,067,914
Reserved for Scholarship Funds	0	0	0	0	0	0	32,878	0	0	0	0	0	32,878
Reserved for Debt Service	0	0	77,011	0	0	0	0	0	0	0	0	0	77,011
Unreserved Fund Balance	937,993	240,983	0	99,353	0	0	17,361	0	0	0	0	0	1,295,589
Total Fund Balances/Retained Earnings and Other Credits	3,394,082	327,860	104,112	315,684	94,876	1,055	51,489	11,561,952	0	11,561,952	0	0	15,650,920
Total Liabilities, Fund Equity, and Other Credits	\$ 8,623,560	409,206	169,458	883,103	199,832	1,055	99,869	11,561,952	2,486,368	\$ 24,444,403	0	0	24,444,403

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1999

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum) (Only)
REVENUES.						
Taxes	\$ 5,319,154	0	85,135	137,169	0	\$ 5,541,458
Tuition	597,792	0	0	0	0	597,792
Earnings on Investments	225,745	1,899	0	30,710	893	259,247
Extracurricular Activities	0	72,142	0	0	0	72,142
Miscellaneous	16,363	1,652	0	350	787	19,152
Revenue from State Sources						
Unrestricted Grants-in-Aid	10,281,420	0	7,586	15,207	0	10,284,213
Restricted Grants-in-Aid	64,654	274,418	0	515,525	0	854,597
Revenue for/on Behalf of the District	22,069	0	0	0	0	22,069
Revenue from Federal Sources						
Unrestricted Grants -in-Aid	0	14,997	0	0	0	14,997
Restricted Grants-in-Aid	0	582,850	0	0	0	582,850
Total Revenue	16,507,197	947,958	92,721	698,961	1,680	16,248,517
EXPENDITURES.						
Instruction						
Regular	7,817,110	80,717	0	0	751	7,898,578
Special	1,211,701	386,592	0	0	0	1,598,293
Vocational	283,300	0	0	0	0	283,300
Other	525,636	0	0	0	0	525,636
Supporting Services						
Pupils	936,210	78,097	0	288,657	0	1,302,964
Instructional Staff	382,221	26,474	0	0	0	408,695
Board of Education	14,912	0	0	0	0	14,912
Administration	1,184,765	30,745	0	0	0	1,215,510
Fiscal Services	301,324	0	2,658	1,601	0	305,583
Operation & Maintenance-Plant	1,359,864	97,779	0	14,775	0	1,472,418
Pupil Transportation	1,115,139	1,256	0	0	0	1,116,395
Central Services	3,177	0	0	0	0	3,177
Operation of Non-Instructional Services						
Community Services	0	84,647	0	0	0	84,647
Food Service Operations	16,789	0	0	0	0	16,789
Other Opr. Non-Instructional Service	455	0	0	0	0	455
Extracurricular Activities						
Academic & Subject Oriented	42,568	20,035	0	0	0	62,603
Occupation Oriented Activities	0	6,300	0	0	0	6,300
Sports Oriented	262,894	67,507	0	0	0	330,401
Co-Curricular Activities	21,414	5,904	0	0	0	27,318
Capital Outlay						
Site Improvement	75,425	0	0	0	0	75,425
Architecture & Engineering	0	0	0	51,229	0	51,229
Building Construction and Improvement	27,430	0	0	521,375	0	548,805
Debt Service						
Principal Payment	0	0	50,000	0	0	50,000
Interest Payment	0	0	57,802	18,119	0	75,921
Fiscal Charges	0	0	0	1,786	0	1,786
Total Expenditures	15,582,334	886,053	110,460	897,542	751	17,477,140
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	924,863	61,905	(17,739)	(198,581)	929	771,377
Other Financing Sources and Uses:						
Premium & Accrued Interest	0	0	0	98	0	98
Sale & Loss of Assets	8,134	0	0	0	0	8,134
Transfers-In	13,371	43,077	0	23,783	0	80,231
Transfers-Out	(159,953)	(13,371)	0	0	0	(173,324)
Refund of Prior Years Expense	4,150	2,323	0	0	0	6,473
Other Miscellaneous Uses	(883)	0	0	0	0	(883)
Net Other Financing Sources and Uses	(135,181)	32,029	0	23,881	0	(79,271)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	789,682	93,934	(17,739)	(174,700)	929	692,106
Increase in Inventory	13,457	0	0	0	0	13,457
Beginning Fund Balance	2,590,943	233,926	121,851	490,394	17,682	3,454,796
Ending Fund Balance	\$ 3,394,082	\$ 327,860	\$ 104,112	\$ 315,694	\$ 18,611	\$ 4,146,902

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 1999

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 5,164,446	5,164,446	0	0	0	\$ 0
Tuition	597,792	597,792	0	0	0	0
Earnings on Investment	209,776	209,776	0	1,899	1,899	0
Extracurricular Activities	0	0	0	72,142	72,142	0
Miscellaneous	16,384	16,384	0	1,652	1,652	0
State Unrestricted Grants-in-Aid	10,273,842	10,273,842	0	0	0	0
State Restricted Grants-in-Aid	64,654	64,654	0	274,418	274,418	0
Revenue for/on Behalf of District	23,219	23,219	0	0	0	0
Federal Unrestricted Grants-in-aid	0	0	0	33,203	33,203	0
Federal Restricted Grants-in-Aid	0	0	0	582,850	582,850	0
Total Revenue	16,350,113	16,350,113	0	966,164	966,164	0
Expenditures:						
Regular Instruction	8,499,745	7,891,714	608,031	113,949	100,192	13,757
Special Instruction	1,240,476	1,240,476	0	542,511	459,912	82,599
Vocational Instruction	278,295	278,295	0	0	0	0
Other Instruction	515,690	515,690	0	0	0	0
Support Services-Pupils	962,981	962,981	0	102,339	97,417	4,922
Support Services-Instructional Staff	381,590	381,590	0	56,757	26,474	30,283
Support Services-Board of Education	14,961	14,961	0	0	0	0
Support Services-Administration	1,244,168	1,244,168	0	35,802	31,032	4,770
Support Services-Fiscal Services	306,443	306,443	0	0	0	0
Operation & Maintenance-Plant	1,424,940	1,424,940	0	97,779	97,779	0
Support Services-Transportation	1,314,894	1,114,894	200,000	1,845	1,643	203
Support Services-Central	304,013	4,013	300,000	0	0	0
Food Services Operations	16,789	16,789	0	0	0	0
Community Services	0	0	0	150,893	129,749	21,144
Other Non-Instructional Services	455	455	0	0	0	0
Academic & Subject Oriented	42,113	42,113	0	35,172	20,125	15,047
Occupation Oriented Activities	0	0	0	19,167	6,300	12,867
Sports Oriented	262,823	262,823	0	75,844	75,210	434
Co-Curricular activities	21,124	21,124	0	13,300	5,973	7,327
Site Improvement	82,395	82,395	0	0	0	0
Architecture & Engineering	0	0	0	0	0	0
Building Improvement	66,462	66,462	0	0	0	0
Payment of Principal	0	0	0	0	0	0
Payment of Interest	0	0	0	0	0	0
Total Expenditures	16,980,357	15,872,326	1,108,031	1,245,159	1,051,806	193,353
Excess of Revenue Over (Under) Expenditures	(630,244)	477,787	1,108,031	(278,995)	(85,642)	193,353
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Sale & Loss of Assets	8,134	8,134	0	0	0	0
Transfers-In	13,371	13,371	0	43,077	43,077	0
Advances-in	8,385	8,385	0	0	0	0
Refund of Prior Years Exp.	5,514	5,514	0	0	0	0
Transfers-Out	(159,953)	(159,953)	0	(13,371)	(13,371)	0
Advances-Out	(58,809)	(58,809)	0	0	0	0
Other Misc. Uses of Funds	(883)	(883)	0	0	0	0
Total Other Financing Sources (Uses)	(184,241)	(184,241)	0	29,706	29,706	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(814,485)	293,546	1,108,031	(249,289)	(55,936)	193,353
Beginning Fund Balance	2,446,816	2,446,816	0	265,138	265,138	0
Prior Year Carry Over Encumbrances	341,006	341,006	0	85,796	85,796	0
Ending Fund Balance	\$ 1,973,337	\$ 3,081,368	1,108,031	101,645	294,998	\$ 193,353

(Continued)

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 1999

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 81,930	81,930	0	134,076	134,076	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	30,710	30,710	0
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	350	350	0
State Unrestricted Grants-in-Aid	7,586	7,586	0	15,207	15,207	0
State Restricted Grants-in-Aid	0	0	0	465,526	465,526	0
Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	89,516	89,516	0	645,869	645,869	0
Expenditures:						
Regular Instruction	0	0	0	0	0	0
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	303,142	289,113	14,029
Support Services-Instructional Staff	0	0	0	0	0	0
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Support Services-Fiscal Services	2,658	2,658	0	3,586	3,387	199
Operation & Maintenance-Plant	0	0	0	14,775	14,775	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Other Non-Instructional Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular activities	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Architecture & Engineering	0	0	0	52,811	52,811	0
Building Improvement	0	0	0	856,176	681,574	174,602
Payment of Principal	50,000	50,000	0	495,000	495,000	0
Payment of Interest	57,802	57,802	0	18,119	18,119	0
Total Expenditures	110,460	110,460	0	1,743,609	1,554,779	188,830
Excess of Revenue Over (Under) Expenditures	(20,944)	(20,944)	0	(1,097,740)	(908,910)	(188,830)
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	98	98	0
Proceeds from Sale of Notes	0	0	0	425,000	425,000	0
Sale & Loss of Assets	0	0	0	0	0	0
Transfers-In	0	0	0	23,783	23,783	0
Advances-In	0	0	0	49,999	49,999	0
Refund of Prior Years Expenses	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Other Misc. Uses of Funds	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	498,880	498,880	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(20,944)	(20,944)	0	(598,860)	(410,030)	(188,830)
Beginning Fund Balance	97,954	97,954	0	563,588	563,588	0
Prior Year Carry Over Encumbrances	0	0	0	335,795	335,795	0
Ending Fund Balance	\$ 77,010	77,010	0	300,523	489,353	\$ (188,830)

(Continued)

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 1999

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	5,380,452	5,380,452	\$ 0
Tuition	0	0	0	597,792	597,792	0
Earnings on Investment	893	893	0	243,278	243,278	0
Extracurricular Activities	0	0	0	72,142	72,142	0
Miscellaneous	787	787	0	19,173	19,173	0
State Unrestricted Grants-in-Aid	0	0	0	10,296,635	10,296,635	0
State Restricted Grants-in-Aid	0	0	0	804,598	804,598	0
Revenue for/on Behalf of District	0	0	0	23,219	23,219	0
Federal Unrestricted Grants-in-aid	0	0	0	33,203	33,203	0
Federal Restricted Grants-in-Aid	0	0	0	582,850	582,850	0
Total Revenue	1,680	1,680	0	18,053,342	18,053,342	0
Expenditures:						
Regular Instruction	3,494	2,000	1,494	8,617,188	7,993,906	623,282
Special Instruction	0	0	0	1,782,987	1,700,388	82,599
Vocational Instruction	0	0	0	278,295	278,295	0
Other Instruction	0	0	0	515,690	515,690	0
Support Services-Pupils	15	0	15	1,368,477	1,349,511	18,966
Support Services-Instructional Staff	0	0	0	438,347	408,064	30,283
Support Services-Board of Education	0	0	0	14,961	14,961	0
Support Services-Administration	0	0	0	1,279,970	1,275,200	4,770
Support Services-Fiscal Services	0	0	0	312,687	312,488	199
Operation & Maintenance-Plant	0	0	0	1,537,494	1,537,494	0
Support Services-Transportation	0	0	0	1,316,740	1,116,537	200,203
Support Services-Central	0	0	0	304,013	4,013	300,000
Food Services	0	0	0	16,789	16,789	0
Community Services	0	0	0	150,893	129,749	21,144
Other Non-Instructional Services	0	0	0	455	455	0
Academic & Subject Oriented	0	0	0	77,285	62,238	15,047
Occupation Oriented Activities	0	0	0	19,167	6,300	12,867
Sports Oriented	0	0	0	338,467	338,033	434
Co-Curricular Activities	0	0	0	34,424	27,097	7,327
Site Improvement	0	0	0	82,395	82,395	0
Architecture & Engineering	0	0	0	52,811	52,811	0
Building Improvement	0	0	0	922,638	748,036	174,602
Payment of Principal	0	0	0	545,000	545,000	0
Payment of Interest	0	0	0	75,921	75,921	0
Total Expenditures	3,509	2,000	1,509	20,083,094	18,591,371	1,491,723
Excess of Revenue Over (Under) Expenditures	(1,829)	(320)	1,509	(2,029,752)	(538,029)	(1,491,723)
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	98	98	0
Proceeds from Sale of Notes	0	0	0	425,000	425,000	0
Sale & Loss of Assets	0	0	0	8,134	8,134	0
Transfers-In	0	0	0	80,231	80,231	0
Advances-In	0	0	0	58,384	58,384	0
Refund of Prior Years Expenses	0	0	0	5,514	5,514	0
Transfers-Out	0	0	0	(173,324)	(173,324)	0
Advances-Out	0	0	0	(58,809)	(58,809)	0
Other Misc. Uses of Funds	0	0	0	(883)	(883)	0
Total Other Sources (Uses)	0	0	0	344,345	344,345	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,829)	(320)	1,509	(1,685,407)	(193,684)	1,491,723
Beginning Fund Balance	17,683	17,683	0	3,391,179	3,391,179	0
Prior Year Carry Over Encumbrances	0	0	0	762,597	762,597	0
Ending Fund Balance	\$ 15,854	17,363	1,509	2,468,369	3,950,092	\$ 1,491,723

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Fund	Non-Expendable Trust Fund	
Operating Revenues:				
Food Service	\$ 476,642	0	0	\$ 476,642
Classroom Materials & Fees	6,723	0	0	6,723
Earnings on Investments	0	0	1,618	1,618
Miscellaneous	0	286	525	811
Total Operating Revenue	483,365	286	2,143	485,794
Operating Expenses:				
Personal Services	307,458	0	0	307,458
Employee Benefits	243,182	0	0	243,182
Purchased Services	10,512	0	0	10,512
Supplies and Materials	480,142	0	0	480,142
Other Expenses	85	0	1,197	1,282
Depreciation	20,601	0	0	20,601
Total Operating Expenses	1,061,980	0	1,197	1,063,177
Operating Income (Loss)	(578,615)	286	946	(577,383)
Non-Operating Revenues:				
Sale & Loss of Assets	(4,556)	0	0	(4,556)
State Unrestricted Grants-In-Aid	22,348	0	0	22,348
Federal Unrestricted Grants-in-Aid	331,552	0	0	331,552
Federal Restricted Grants-in-Aid	102,510	0	0	102,510
Total Non-Operating Revenues	451,854	0	0	451,854
Net Income Before Operating Transfers	(126,761)	286	946	(125,529)
Transfers-In	93,093	0	0	93,093
Total Transfers	93,093	0	0	93,093
Net Income(Loss)	(33,668)	286	946	(32,436)
Beginning Retained Earnings	128,344	769	31,932	161,045
Retained Earnings at End of Year	\$ 94,676	1,055	32,878	\$ 128,609

See Accompanying Notes to the General Purpose Financial Statements

Geneva Area City School District
Combined Statement of Changes in Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Gain (Loss)	\$ (578,615)	286	946	\$ (577,383)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	20,601	0	0	20,601
Net (Increase) Decrease in Assets:				
Accounts Receivable	0	42	0	42
Inventory	(11,529)	0	0	(11,529)
Net Increases (Decreases) in Liabilities:				
Interfund Payable	426	0	0	426
Accounts Payable	(113)	(84)	0	(197)
Intergovernmental Payable	1,522	0	0	1,522
Deferred Revenue	1,315	0	0	1,315
Accrued Wages and Benefits	14,951	0	0	14,951
Compensated Absences	6,686	0	0	6,686
Total Adjustments	33,859	(42)	0	33,817
Net Cash Used in Operating Activities	(544,756)	244	946	(543,566)
Cash Flows from Noncapital Activities:				
Transfers from Other Funds	93,093	0	0	93,093
Grants from State Sources	22,348	0	0	22,348
Grants from Federal Sources	434,062	0	0	434,062
Net Cash Provided by Noncapital Financing Sources	549,503	0	0	549,503
Acquisition/Loss of Capital Assets	(4,762)			
Net Increase in Cash & Cash Equivalents	(15)	244	946	1,175
Cash and Cash Equivalents at Beginning of Year	113	811	31,932	32,856
Cash and Cash Equivalents at End of Year	\$ 98	1,055	32,878	\$ 34,031

See Accompanying Notes to General Purpose Financial Statements.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies

The financial statements of the Geneva Area City School District (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.2 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 1998, was 3,259. The District employed 189 certified employees and 114 non-certificated employees.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the school by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity.

It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization.

A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

The Ashtabula County District Library (the Library) is a library created under Chapter 3375 of the Ohio Revised Code(ORC) and is located in the Geneva Area City School District. The Board of Trustees of the Library *controls and manages the Library and issues its own financial statements.*

The District may act as the Library's agent on debt issues required pursuant to Chapter 3375.431 of the ORC. In 1996, as requested by the Library, the District issued, on behalf of the Library, bond anticipation notes in the amount of \$1,500,000, for the purpose of constructing, furnishing and equipping a new public library to be operated by the Ashtabula County District Library and improving its site.

The District issued \$425,000 in bond anticipation notes in April, 1999 and \$990,000 in May, 1997 for general *obligation bonds*. The debt was issued for the purpose of the construction of a new library, as approved by the electorate in May 1995. Although the debt is issued on behalf of the Library, the bonds constitute indebtedness of the District and are considered in determining the District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the District, and the District pays the interest and retires the debt.

However, the District has no ability to influence the Library's operations, no accountability over the fiscal matters of the Library, nor any responsibility for the Library's deficits. Accordingly, other than the debt and the *related property tax revenue referred to in the preceding paragraph*, the Library's financial statements are not included herein.

The District is associated with organizations which are defined as jointly governed organizations. These organizations are the Northeast Ohio Management Information Network, the Ashtabula County Schools Council of Governments, the Ashtabula County Joint Vocational School District, which are presented in Note 14 to the general purpose financial statements.

Within the District boundaries are two non-public schools, Assumption School and The Grand River Academy. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the District, as directed by the non-public schools.

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

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by *segregating transactions related to certain government functions or activities.*

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental Fund Types are accounted for on a flow of current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of "available spendable resources" during the period.

General Fund - This 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 to the District for any purpose provided it is expended or transferred according to the bylaws of the District and the laws of the State of Ohio.

Special Revenue Funds - These funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or for major capital projects) that are legally restricted to expenditures for specific purposes.

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

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary and trust funds).

Proprietary Fund Types

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the proprietary fund types:

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

Internal Service Fund - This fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governments, or other funds. The following are the fiduciary fund types:

Expendable Trust Fund - This fund accounts for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement. Expendable trust funds are accounted for in essentially the same manner as governmental funds.

Nonexpendable Trust Fund - This fund accounts for trust principal which may not be expended. Only interest earned on the principal may be used for trust operations. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds.

Agency Fund - This fund is purely custodial and thus does not involve measurement of results of operations.

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not affect expendable available financial resources. The following are the account groups:

General Fixed Assets Account Group - This account group is used to account for all of the District's fixed assets other than those accounted for in the Proprietary funds or Trust funds.

General Long-Term Debt Account Group - This account group is used to account for all of the District's long-term obligations other than those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus.

All proprietary fund types and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental and Expendable Trust Funds. The measurement focus is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income determination. Under this basis of accounting:

- 1) Only current assets and current liabilities are generally included on their balance sheets.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

- 2) Operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.
- 3) Revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after year end.
 - a) Revenue accrued at the end of the year may include book fines, fees, interest, tuition, state reimbursements, federal grant payments, and property taxes available.
 - b) The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminate, and are intended to finance fiscal year 2000 operations, have been recorded as deferred revenues.
- 4) Expenditures are recognized in the period in which the fund liability is incurred with the following exceptions: general long term obligation principal and interest are reported only when due; the current costs of accumulated unpaid vacation and sick leave are reported in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The Proprietary Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Pursuant to GASB Statement No. 20 "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the District follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

Agency fund assets and liabilities are recognized on the modified accrual basis of accounting.

D. Budget and Budgetary Accounting

The budgetary process is prescribed by provisions of Ohio Revised Code and entails the preparation of budgetary documents with an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

- 1) A Tax Budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the fiscal year commencing the following July 1st. The Board of Education normally adopts the Tax Budget at either its regular board meeting in December or its organizational board meeting in January. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.
- 2) The County Budget Commission certifies its actions to the District by March 1st. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. During the month of July, this certificate is amended to include any unencumbered balances from the preceding fiscal year.
- 3) An annual appropriation measure must be passed by the Board of Education by October 1st of each year for the period July 1st to June 30th. Unencumbered appropriations lapse at year-end and the encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. The Board of Education usually adopts temporary appropriations at its regular board meeting in June. The Annual Appropriation Resolution is usually adopted at the September regular board meeting. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources and expenditures may not exceed appropriations in any fund at the object level.
- 4) The District prepares its budget on a basis of accounting that differs from generally accepted accounting principles (GAAP). The actual results of operations are presented in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual (Non-GAAP Basis)--All Governmental Fund Types and Expendable Trust Funds" to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis of accounting and GAAP are that:

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when encumbered (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis);
- d) For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP);
- e) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis); and

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 1. Summary of Significant Accounting Policies (continued)

- f) Short-term note debt is paid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

See Note 2 to the general purpose financial statements for reconciliation of Budget vs. GAAP "Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses."

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds (there were no encumbrances for proprietary funds for the year ended June 30, 1999).

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

E. Cash and Investments

Cash received by the District is pooled in various bank accounts with individual fund balance integrity maintained throughout. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments." During the fiscal year all investments were limited to certificates of deposit, and repurchase agreements.

Except for nonparticipating investments contracts, investments are reported at fair market value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and negotiable certificates of deposits are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Capital Projects Funds, Auxiliary Service Funds, Expendable Trust Fund, and Non-expendable Trust Fund as authorized by board resolution. Interest income earned in fiscal year 1999 totaled \$260,865. Interest revenue credited to the General Fund during the fiscal year amounted to \$225,745; Special Revenue Funds, \$1,899; Capital Projects Funds, \$30,710; Expendable Trust Fund, \$893; and Non-expendable Trust Fund, \$1,618.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

G. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 1999. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 1999 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

H. Inventories

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expended when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 1999, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

J. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. The original cost of equipment was estimated using standard industry assumptions as determined by an outside consultant. All purchased fixed assets since the initial valuation are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The District has a capitalization threshold of \$500.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method over an estimated useful life of the assets (five to twenty years).

K. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several State and Federal programs, categorized as follows:

Entitlements:

General Fund

State Foundation Program
School Bus Funding

Special Revenue Funds

Educational Management Information Systems

Capital Projects Funds

School Net Plus
Technology Equity Funds

Non-Reimbursable Grants:

Special Revenue Funds

Auxiliary Services Funding
Title I
Title II-Eisenhower
Title VI
Title VI B
DPIA
Teacher Development
Drug Free Schools
Pre-School Grants

Reimbursable Grants:

General Fund

Driver Education Reimbursement

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies
(continued)

Proprietary Funds

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 63% of the District's operating revenue during the 1999 fiscal year.

L. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds." Short-term interfund loans are classified as "Interfund receivables/payables. At June 30, 1999, the District had no "Due to/Due from other funds" and \$58,809 in "Interfund Receivables/Payables." The "Advances-in" do not equal the "Advances-out" on the Budget vs Actual Statements due to activity in the Enterprise and Internal Service Funds.

M. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 1999 the District had no long-term interfund loans.

N. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16. Sick leave benefits are accrued as a liability using the vesting method. Sick leave and other compensated absences with similar characteristics are accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations are reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future are based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. All employees with ten or more years of service were included in the calculation of the long-term compensated absences accrual amount.

Vacation leave and other compensated absences with similar characteristics are accrued as a liability as the benefits are earned by the employees if both of the following conditions are met: 1.) The employees' rights to receive compensation are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee. 2.) It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

For governmental funds, the District records a liability for accumulated unused vacation and sick leave when earned. The current portion of these unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

is reported in the general long-term debt account group. In proprietary funds, compensated absences are expensed when earned with the amount reported as a fund liability.

O. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current expendable available financial resources. In general, amounts paid more than sixty days after year end are considered not to have been paid with current available financial resources. Bonds and capital leases are recognized as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

P. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end. At June 30, 1999, the District had \$23,264 in contributed capital.

Q. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

R. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 1. Summary of Significant Accounting Policies (continued)

S. Fund Balance Reserves

Reserved Fund Balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund Balances are reserved for supplies inventory, budget stabilization, debt service, encumbrances and taxes receivable. The reserve for taxes receivable represents the amount of the property taxes available for advance and recognized as revenue. The District is prohibited by law from appropriating the advance, since it was not received, for the current fiscal year. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the specific purposes of those funds.

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

T. Estimates

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

U. Memorandum Only - Total Columns

Total columns on the general purposes financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 2. Budgetary Basis of Accounting

The following table summarizes the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

	Governmental Fund Type				Fiduciary Fund Type
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
	GAAP Basis	\$ 789,682	93,934	(17,739)	(174,700)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	(157,084)	18,206	(3,204)	(53,092)	0
Due to Expenditures:					
Net Adjustments to Expenditures	(289,992)	(165,753)	0	(657,237)	(1,249)
Due to Other Sources/Uses	(49,060)	(2,323)	0	474,999	0
Budget Basis	\$ 293,546	(55,936)	(20,943)	(410,030)	\$ (320)

Note 3 . Cash and Investments

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 public deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Moneys held by the District which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 3. Cash and Investments (continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section 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); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.

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

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

Deposits At fiscal year end, the carrying amount of the District's deposits was \$4,007,297 and the bank balance was \$4,176,653, of which \$200,000 was covered by federal depository insurance and \$3,976,653 was uninsured, but collateralized with securities held by the pledging financial institution's trust department or agent not in the District's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 3. Cash and Investments (continued)

followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires the District's investments to be categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter-party, or by its trust department or agent but not in the District's name.

	Category			Carrying	Fair
	1	2	3	Value	Value
Repurchase Agreement			570,000	570,000	570,000
Total Investments			\$ 570,000	\$ 570,000	\$ 570,000

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents	Investments*
GASB Statement No. 9	\$ 4,577,372	\$ 0
Investments:		
Repurchase Agreement	(570,000)	570,000
Total	4,007,372	570,000
Cash on Hand	(75)	0
GASB Statement No. 3	\$ 4,007,297	\$ 570,000

Note 4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 4. Property Tax (continued)

years. The last revaluation for the District was completed in 1996, an update will be done in 1999. The next revaluation is scheduled for 2002.

Real property taxes are payable annually or semi-annually. The first payment is usually due February 14, (and may be paid annually) with the remainder payable June 20. Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before December 31 of that calendar year. Tangible personal property used in business (except for public utilities) is currently assessed for taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers may be paid annually or semi-annually, the first payment due April 30, with the remainder payable by September 28.

Public utility real and public utility personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Ashtabula County Treasurer collects property taxes on behalf of the District. The Ashtabula County Auditor remits to the District the taxes collected. Tax settlements are made each March and August for real property taxes and each June and October for personal property.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year. At June 30, 1999, taxes available for advance were: General Fund, \$1,983,806; Debt Service, \$27,101; and Capital Projects, \$57,007.

The full tax rate at the fiscal year ended June 30, 1999 for operations was \$42.39 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the fiscal year 1999 taxes were collected were as follows:

The assessed values upon which fiscal year 1999 taxes were collected are:

	<u>1997</u>	<u>1998</u>
Real Property-Commercial/Industrial	\$ 28,048,310	\$ 28,433,790
Real Property-Residential/Agricultural	138,110,700	141,851,040
Real Property-Public Utilities	83,660	87,850
Personal Property-General	15,990,574	16,226,440
Personal Property-Public Utilities	<u>19,841,040</u>	<u>19,417,460</u>
Total Assessed Value	<u>\$ 202,074,284</u>	<u>\$ 206,016,580</u>

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 5. Receivables

Receivables at June 30, 1999 consisted of taxes, accounts (miscellaneous), 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 guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Drivers Education Subsidy	\$ 350
Total General Fund	350
Capital Projects Fund:	
Emergency Bldg Repair	49,999
Total Capital Projects Fund	49,999
Grand Total	\$ 50,349

Note 6. Fixed Assets

The following is a summary of the proprietary funds property, plant and equipment at June 30, 1999:

Enterprise Fund	
Furniture and Equipment	\$ 397,356
Less Accumulated Depreciation	(216,940)
Net Fixed Assets	\$ 180,416

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 1999:

	General Fixed Assets June 30, 1998	Additions	Deletions	General Fixed Assets June 30, 1999
Land & Land Improvements	\$ 471,567	8,754	0	\$ 480,321
Buildings & Bldg. Improvements	4,496,476	272,074	0	4,768,550
Furniture, Fixtures & Equipment	4,401,843	372,489	43,168	4,731,164
Vehicles	1,552,997	216,104	187,184	1,581,917
Total General Fixed Assets	\$ 10,922,883	869,421	230,352	\$ 11,561,952

There was no significant construction in progress at June 30, 1999 for District owned property.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 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 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$251,616, \$198,408, and \$147,396, respectively; 35 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$162,820 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were: \$1,245,504, \$1,108,392, and \$1,079,808, respectively; 83.3 percent has been contributed for fiscal year 1999 and 100 percent for the fiscal years 1998 and 1997. \$207,584 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 1999, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 8. Postemployment Benefits

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State Statute. Both systems are funded on a pay as you go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase of 3.5 percent over fiscal year 1998. For the District, this amount equaled \$311,376 for fiscal year 1999. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.156 million at June 30, 1998 (the latest information available). For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 1999, employer contributions to fund health care benefits were 6.3 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$126,515 during the 1999 fiscal year.

The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$160.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Note 9. Compensated Absences

Vacation Leave:

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted is determined upon length of service. For fiscal year 1999, the superintendent was granted twenty days of vacation and the treasurer was granted ten days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 9. Compensated Absences (continued)

prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The administrative and classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
at the completion of 1 -8 years	10
at the completion of 9 -17 years	15
at the completion of 18 or more years	20

Sick Leave/Severance Pay:

Each employee earns sick leave at the rate of one and one-fourth days per month. Sick leave shall accumulate during active employment on a continuous year-to-year basis. Maximum sick leave accumulation for employees is 300 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement if the employee has been employed by the District for a minimum of ten consecutive years at the time of retirement. Any certificated employee receiving retirement severance pay shall be entitled to one-fourth of the employee's total available accumulated sick leave up to 200 days at the daily rate at the time of retirement up to 50 days plus 15 percent of all days accumulated between 201-300 days. The maximum number of retirement pay days is 65. Any classified employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of all accumulated sick leave credited to that employee up to 50 days.

Note 10. Risk Management

A. General Risk

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

Professional liability insurance is maintained in the amount of \$2,000,000 for single occurrence and \$5,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$31,208,233.

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

B. Workers Compensation

The District participates in the Workers' Compensation Program provided by the State of Ohio. The Ohio system of workers' compensation has been in effect since 1913 providing compensation for work-related injuries, diseases and deaths. The system is maintained by the Ohio Bureau of Workers' Compensation and the Industrial Commission. The Bureau of Workers' Compensation determines basic premium rates by the cost of claims generated within the school's industry classification. New rates are effective each January 1. Premiums are paid annually.

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 10. Risk Management (continued)

C. Health Insurance

In July, 1987, the District joined the Ashtabula County Schools Council of Governments Employees Insurance Consortium to insure its medical and vision claims. The consortium currently includes seven member school districts. Contributions are determined by the consortium's board of directors. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the District. An alternate health maintenance plan is also offered to employees through Anthem Blue Cross/Blue Shield.

The District provides dental and life insurance coverage through Anthem Blue Cross/Blue Shield.

Note 11. Notes and Long-Term Debt

A. Notes Payable:

The District's Bond Anticipation Note of \$460,000 matured April 29, 1999, with an interest payment of \$18,119. The District issued new notes in the amount of \$425,000 on April 28, 1999. The notes mature on April 27, 2000 and have an interest rate of 3.45%. The related interest payment is \$14,663.

B. Long-Term Debt:

A summary of changes in debt obligations for the year ended June 30, 1999, are as follows:

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Intergovernmental Payable	\$ 104,066	121,802	104,066	\$ 121,802
Bonds Payable	990,000	0	50,000	940,000
Early Retirement Incentive	270,000	0	270,000	0
Capital Leases Payable	3,955	0	1,764	2,191
Compensated Absences Payable	1,256,244	166,131	0	1,422,375
	<u>\$ 2,624,265</u>	<u>287,933</u>	<u>425,830</u>	<u>\$ 2,486,368</u>

Additions and deletions of compensated absences are shown net since it is impracticable for the District to determine these amounts separately.

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt. The District's unvoted debt limit is \$206,017. The voted debt limit at June 30, 1999 is \$18,541,492.

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 11. Notes and Long-Term Debt (continued)

Bonds Payable:

As discussed in Note 1 to the General Purpose Financial Statements, the District issued General Obligation bonds, on behalf of the Library, in the amount of \$990,000 on May 1, 1997. The bonds mature in December 2016 and have an average interest rate of 5.8%. The annual maturities of the general obligation bonds as of June 30, 1999, and related interest payments are as follows:

	Principal	Interest	Payment
FY2000	\$ 50,000	56,740	\$ 106,740
FY2001	50,000	54,365	104,365
FY2002	50,000	51,865	101,865
FY2003 and thereafter	790,000	410,047	1,200,047
	\$ 940,000	573,017	\$ 1,513,017

Capital Leases:

The District is making installment payments on copiers purchased with an original cost of \$8,274. This copier equipment has been capitalized in the general fixed assets account group. These obligations have an outstanding balance of \$2,191 at June 30, 1999.

The following is a schedule of future minimum lease payments required under capital leases and present value of the minimum lease payments in the Governmental funds as of June 30, 1999:

GLTDAG: Copiers:	Year Ending	
	June 30	
FY2000	\$	2,013
FY2001		335
		2,348
Less interest:		(157)
Present Value of Minimum	\$	2,191

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 12. Interfund Transactions

At June 30, 1999, the District had short-term interfund loans which are classified as "Interfund Receivables/Payables." Receivables and payables resulting from goods provided or services rendered are classified as "Due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Interfund Payables:

	Receivables	Payables
General Fund	\$ 58,809	\$ 0
Capital Projects Fund	0	49,999
Enterprise Fund	0	8,810
	\$ 58,809	\$ 58,809

Note 13. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 1999, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 476,642	6,723	\$ 483,365
Operating Expenses:			
Depreciation	(20,601)	0	(20,601)
Other Expenses	(1,034,329)	(7,050)	(1,041,379)
Total Operating Expenses	(1,054,930)	(7,050)	(1,061,980)
Operating Loss	(578,288)	(327)	(578,615)
Non-Operating Revenues and Expenses:			
State Grants	22,348	0	0
Federal Grants	434,062	0	0
Loss on Disposal of Assets	(4,556)	0	(4,556)
Transfers from Other Funds	93,093	0	93,093
Net Income/Loss	\$ (33,341)	(327)	\$ (33,668)
Net Working Capital	\$ (77,026)	(8,712)	\$ (85,738)
Total Assets	\$ 199,734	98	\$ 199,832
Total Fund Equity	\$ 103,388	(8,712)	\$ 94,676

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 14. Jointly Governed Organizations and Public Entity Risk Pools

Northeast Ohio Management Information Network- (NEOMIN) is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts support NEOMIN based upon a per pupil charge.

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was not represented on the Governing Board during fiscal year 1999. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

Ashtabula County Schools Council of Governments:

The District's Superintendent is a member of the governing board of the Ashtabula County Schools Council of Governments, a separate entity formed for the purpose of purchasing health insurance. The District has no ongoing financial interest or financial responsibility to the Council of Governments other than via participation by purchasing health insurance.

Ashtabula County Joint Vocational School District:

The District is a member of the Ashtabula County Joint Vocational School District. The Ashtabula County Joint Vocational School District has a seven-member board of education and is funded by levying millage and state and federal support. The District has one member as a board representative.

The District has no ongoing financial interest or financial responsibility to the Ashtabula County Joint Vocational School District.

Note 15. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

The District is a defendant in a legal proceedings pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of this legal proceeding, it is the opinion of management that the ultimate resolution of such will not have a material effect on the District's financial statements.

Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999

Note 16. School Funding Decision/Subsequent Event

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$9,754,814 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

Note 17. Statutory Reserves

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

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

During the fiscal year ended June 30, 1999, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/1998	\$ 0	0	106,403	\$ 106,403
Required Set Aside	247,520	247,520	123,760	618,800
Offset Credits	(47,344)	(77,580)	0	(124,924)
Qualifying Expenditures	(200,176)	(169,940)	0	(370,116)
Balance, 6/30/1999	\$ 0	0	230,163	\$ 230,163

**Geneva Area City School District
Notes to the General Purpose Financial Statements
For the Year Ended June 30, 1999**

Note 18. Ohio Schools Council

The District participates in the Ohio Schools Council's electricity purchase program which was implemented during fiscal year 1998. This program allows school districts to purchase electricity at reduced rates, if the school districts will commit to participating for an eight year period. The participants make monthly payments based on estimated usage. Each June these estimated payments are compared to their actual usage for the year and any necessary adjustments are made.

Energy Acquisition Corp., a non-profit corporation with a self-appointing board, issued \$119,140,000 in debt to purchase eight years of electricity from Cleveland Electric Illuminating (CEI) for the participants. The participating school districts are not obligated in any manner for this debt. If a participating school district terminates its agreement, the district is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

Note 19. Fund Deficits

Fund Deficits:

Fund balances at June 30, 1999, included the following individual fund deficits:

<u>Enterprise Funds</u>	
Uniform School Supplies	\$ (8,712)

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

GENEVA AREA CITY SCHOOL DISTRICT

Schedule of Federal Awards Expenditures

For the Year Ended June 30, 1999

Federal Grantor/Program Title	Pass Through Entity Number	CFDA Number	Federal Revenues	Federal Expenditures
<u>U.S. Department of Agriculture</u>				
Pass through State Department of Education				
Nutrition Cluster:				
National School Lunch Program	044057-03-PU-00	10.555	\$ 299,256	\$ 299,256
National School Breakfast Program	044057-05-PU-00	10.553	32,296	32,296
Food Distribution (Note 2)	Direct	10.550	<u>103,824</u>	<u>93,574</u>
Total U.S. Depart. of Agriculture - Nutrition Cluster			\$ 435,376	\$ 425,126
<u>U.S. Department of Education</u>				
Pass through State Department of Education:				
Title I - FY 98	044057-C1-S1-98	84.010	\$ 18,359	\$ 83,976
Title I - FY 98	044057-C1-S1-98C	84.010	34,835	34,835
Title I - FY 99	044057-C1-S1-99	84.010	330,895	228,378
Total Title I			<u>384,089</u>	<u>347,189</u>
Title VIB Handicapped - FY 98	044057-6B-SF-98	84.027	-	30,036
Title VIB Handicapped - FY 99	044057-6B-SF-99P	84.027	133,724	103,076
Total Title VIB Handicapped			<u>133,724</u>	<u>133,112</u>
Title VI FY 97	044057-C2-S1-97C	84.298	2,432	312
Title VI FY 98	044057-C2-S1-98	84.298	-	1,019
Title VI FY 99	044057-C2-S1-99	84.298	13,025	627
Total Title VI			<u>15,457</u>	<u>1,958</u>
Eisenhower Professional Development - FY 97	044057-MS-S1-97	84.281	843	5,123
Eisenhower Professional Development - FY 98	044057-MS-S1-98	84.281	13,997	4,467
Total Eisenhower Professional Development			<u>14,840</u>	<u>9,590</u>
Title VIB Preschool - FY 98	044057-6B-SF-98	84.173	-	1,041
Title VIB Preschool - FY 99	044047-6B-SF-99P	84.173	10,647	9,940
Total Title VIB Preschool			<u>10,647</u>	<u>10,981</u>
Drug-Free Grant - FY 98	044057-DR-S1-98	84.186	-	3,128
Drug-Free Grant - FY 99	044057-DR-S1-99	84.186	17,273	16,705
Total Drug-Free Grant			<u>17,273</u>	<u>19,833</u>
Telecommunications Act Grant (Note 3)	N/A	N/A	<u>13,371</u>	<u>13,371</u>
Total Telecommunications Act			13,371	13,371
Total U.S. Department of Education			<u>589,402</u>	<u>536,035</u>
Total Federal Expenditures			\$ <u>1,024,777</u>	\$ <u>961,161</u>

See accompanying Notes to the Schedule of Federal Awards Expenditures.

Geneva Area City School District
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 1999

1. **Significant Accounting Policies**

The accompanying schedule of federal awards expenditures is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

2. **Food Distribution**

Nonmonetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had food commodities in inventory recorded in the Enterprise Fund.

3. **As of the end of field work, no CFDA number had been assigned to the Telecommunications Act Grant.**

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

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Geneva Area City School District
Geneva, Ohio

We have audited the general purpose financial statements of the Geneva Area City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated January 14, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated January 14, 2000.

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

Charles E. Harris

Charles E. Harris & Associates

January 14, 2000

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

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

Board of Education
Geneva Area City School District
Geneva, Ohio

Compliance

We have audited the compliance of the Geneva Area City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Charles E. Harris & Associates

Charles E. Harris & Associates
January 14, 2000

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 1999**

1. SUMMARY OF AUDITOR'S RESULTS		
(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under Section .510	No
(d)(1)(vii)	Major Programs:	Title I CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

GENEVA AREA LOCAL SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 1999

**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.

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, as of June 30, 1998, did not include material citations or recommendations.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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GENEVA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: MAY 2, 2000