

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Education
James A. Garfield Local School District
Garrettsville, Ohio

We have reviewed the Independent Auditor's Report of the James A. Garfield Local School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 1999 to June 30, 2000. 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 James A. Garfield Local School District is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

February 13, 2001

**JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
James A. Garfield Local School District
8235 Park Avenue
Garrettsville, Ohio 44231

We have audited the accompanying general purpose financial statements of the James A. Garfield Local School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose 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 general purpose 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 James A. Garfield Local School District, as of June 30, 2000 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 27, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards 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.



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 27, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 2000

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets:				
Equity in Pool Cash and Cash Equivalents	\$1,368,794	\$127,674	\$240,270	\$4,488,889
Receivables:				
Taxes:				
Taxes - current	2,991,120		402,672	
Taxes - delinquent	56,615		9,001	
Accounts	531	557		
Intergovernmental	1,000			
Materials and Supplies Inventory	16,131			
Prepaid Items	6,871			
Restricted: Cash and Cash Equivalents	170,092			
Fixed Assets:				
Land				
Building and Building Improvements				
Furniture, Fixtures and Equipment				
Vehicles				
Construction In Progress				
Accumulated Depreciation:				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	<u><u>\$4,611,154</u></u>	<u><u>\$128,231</u></u>	<u><u>\$651,943</u></u>	<u><u>\$4,488,889</u></u>

The notes to the financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets Account Group	General Long Term Debt Account Group	
Enterprise	Trust and Agency			
\$2,797	\$23,624			\$6,252,048
				3,393,792
				65,616
441				1,529
15,665				16,665
22,458				38,589
8				6,879
				170,092
		\$376,097		376,097
		3,711,698		3,711,698
157,495		1,630,414		1,787,909
15,432		919,103		934,535
		2,064,068		2,064,068
(108,938)				(108,938)
			259,374	259,374
			7,350,554	7,350,554
<u>\$105,358</u>	<u>\$23,624</u>	<u>\$8,701,380</u>	<u>\$7,609,928</u>	<u>\$26,320,507</u>

(continued)

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
 Combined Balance Sheet
 All Fund Types and Account Groups
 As of June 30, 2000 (Continued)

	Governmental Fund Types			
	General Fund	Special Revenue	Debt Service	Capital Projects
Liabilities, Equity and Other Credits				
Liabilities:				
Accounts Payable	\$51,368	\$3,688		\$726,988
Accrued Wages and Benefits	863,594	12,370		
Compensated Absences Payable	10,626			
Intergovernmental Payable	133,319	7,544		65
Deferred Revenue				
Deferred Revenue				
Deferred Revenue - taxes	2,937,025		\$392,569	
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	<u>3,995,932</u>	<u>23,602</u>	<u>392,569</u>	<u>727,053</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	332,480	21,051		3,612,939
Reserved for Inventory	16,131			
Reserved for Prepaid Items	6,871			
Reserved for Property Taxes	110,710		19,104	
Reserved for Budget Stabilization	170,092			
Reserved for Debt Service			240,270	
Unreserved:				
Unreserved, Undesignated	(21,062)	83,578		148,897
Total Fund Equity and Other Credits	<u>615,222</u>	<u>104,629</u>	<u>259,374</u>	<u>3,761,836</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,611,154</u>	<u>\$128,231</u>	<u>\$651,943</u>	<u>\$4,488,889</u>

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets Account Group	General Long Term Debt Account Group	
Enterprise	Trust and Agency			
\$324				\$782,368
25,077				901,041
27,045			\$615,959	653,630
9,117	\$81		67,477	217,603
8,874				8,874
				3,329,594
	9,978			9,978
			6,926,492	6,926,492
70,437	10,059	\$0	7,609,928	12,829,580
		8,701,380		8,701,380
43,465				43,465
(8,544)				(8,544)
				3,966,470
				16,131
				6,871
				129,814
				170,092
				240,270
	13,565			224,978
34,921	13,565	8,701,380	0	13,490,927
\$105,358	\$23,624	\$8,701,380	\$7,609,928	\$26,320,507

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Intergovernmental	\$5,002,289	\$416,043	\$46,418	\$84,375
Interest	126,067	0	0	313,181
Tuition and Fees	9,668	0	0	0
Extracurricular Activities	0	94,080	0	0
Gifts and Donations	0	0	0	0
Property & Other Local Taxes	2,815,314	0	398,512	0
Miscellaneous	3,343	91,978	0	0
Total Revenues	7,956,681	602,101	444,930	397,556
Expenditures:				
Current:				
Instruction:				
Regular	4,048,688	46,074	0	0
Special	265,905	162,063	0	0
Other	81,767	7,090	0	0
Support Services:				
Pupils	358,380	31,969	0	0
Instructional Staff	286,893	85,155	0	0
Board of Education	27,168	0	0	0
Administration	884,880	45,031	0	0
Fiscal	245,391	0	8,130	0
Operation and Maintenance of Plant	880,519	0	0	0
Pupil Transportation	668,173	0	0	0
Central	1,475	86,016	0	0
Non-Instructional Services	0	0	0	28,063
Extracurricular Activities	169,336	64,175	0	0
Capital Outlay	0	0	0	3,274,693
Debt Service				
Debt Service - Principal	0	0	26,500	0
Debt Service - Interest	0	0	389,386	0
Total Expenditures	7,918,575	527,573	424,016	3,302,756
Excess(Deficiency) of Revenues Over(Under) Expenditures	38,106	74,528	20,914	(2,905,200)
Other Financing Sources (Uses)				
Operating Transfers In	0	3,500	0	31,250
Proceeds from Sale of Fixed Assets	1,822	0	0	0
Operating Transfers Out	(72,650)	0	0	0
Total Other Financing Sources (Uses)	(70,828)	3,500	0	31,250
Excess (Deficiency) of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(32,722)	78,028	20,914	(2,873,950)
Fund Balances July 1, 1999 (Restated)	644,662	26,001	238,460	6,635,786
Increase in Reserve for Inventory	3,282			
Residual Equity Transfer In		600	0	0
Fund Balances June 30, 2000	\$615,222	\$104,629	\$259,374	\$3,761,836

The notes to the financial statements are an integral part of this statement

Fiduciary Fund Type	Totals
Expendable Trust	(Memorandum Only)
0	\$5,549,125
\$10,091	449,339
0	9,668
0	94,080
1,850	1,850
0	3,213,826
0	95,321
<u>11,941</u>	<u>9,413,209</u>
0	4,094,762
0	427,968
0	88,857
0	390,349
0	372,048
0	27,168
0	929,911
0	253,521
0	880,519
0	668,173
0	87,491
18,260	46,323
50	233,561
0	3,274,693
0	26,500
0	389,386
<u>18,310</u>	<u>12,191,230</u>
(6,369)	(2,778,021)
0	34,750
0	1,822
<u>0</u>	<u>(72,650)</u>
<u>0</u>	<u>(36,078)</u>
(6,369)	(2,814,099)
19,934	7,564,843
0	3,282
<u>0</u>	<u>600</u>
<u>\$13,565</u>	<u>\$4,754,626</u>

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
 Combined Statement of Revenues, Expenditures and Changes in Fund Balances
 Budget and Actual (Budget Basis)
 All Governmental Fund Types and Expendable Trust Fund
 For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types							
	General			Special Revenue			Debt Service	
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual
Revenues:								
Intergovernmental	\$5,001,295	\$5,001,289	(\$6)	\$415,043	\$416,043	\$1,000	\$46,418	\$46,418
Interest	120,000	126,067	6,067	0	0	0	0	0
Tuition and Fees	13,300	16,594	3,294	0	0	0	0	0
Extracurricular Activities	0	0	0	91,482	94,079	2,597	0	0
Gifts and Donations	0	0	0	0	0	0	0	0
Property & Other Local Taxes	2,993,135	2,993,135	0	0	0	0	436,584	436,584
Miscellaneous	1,200	1,867	667	87,794	88,604	810	0	0
Total Revenues	8,128,930	8,138,952	10,022	594,319	598,726	4,407	483,002	483,002
Expenditures:								
Current:								
Instruction:								
Regular	4,110,465	4,025,060	85,405	58,570	48,654	9,916	0	0
Special	278,434	262,530	15,904	211,317	188,690	22,627	0	0
Other	185,475	176,951	8,524	7,303	7,303	0	0	0
Support Services:								
Pupils	345,229	334,272	10,957	46,613	42,265	4,348	0	0
Instructional Staff	306,173	291,445	14,728	109,831	89,687	20,144	0	0
Board of Education	34,023	28,634	5,389	0	0	0	0	0
Administration	928,227	887,294	40,933	49,880	48,187	1,693	0	0
Fiscal	254,652	243,832	10,820	0	0	0	9,125	8,130
Operation and Maintenance of Plant	1,102,088	1,019,973	82,115	0	0	0	0	0
Pupil Transportation	728,255	707,682	20,573	0	0	0	0	0
Central	2,075	1,475	600	88,425	88,298	127	0	0
Non-Instructional Services	0	0	0	1,600	0	1,600	0	0
Extracurricular Activities	177,278	174,442	2,836	83,182	81,556	1,626	0	0
Capital Outlay	0	0	0	0	0	0	0	0
Debt Service								
Debt Service - Principal	0	0	0	0	0	0	26,500	26,500
Debt Service - Interest	0	0	0	0	0	0	389,390	389,386
Total Expenditures	8,452,374	8,153,590	298,784	656,721	594,640	62,081	425,015	424,016
Excess(Deficiency) of Revenues Over(Under) Expenditures	(323,444)	(14,638)	308,806	(62,402)	4,086	66,488	57,987	58,986
Other Financing Sources (Uses)								
Operating Transfers In	39,289	39,289	0	5,600	5,600	0	0	0
Proceeds from Sale of Bonds	0	0	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	45	1,822	1,777	0	0	0	0	0
Refund of Prior Year Expenditures	300	1,259	959	0	0	0	0	0
Advances In	52,581	52,581	0	32,581	32,581	0	0	0
Other Financing Sources	0	0	0	2,955	2,955	0	0	0
Operating Transfers Out	(111,939)	(111,939)	0	(1,500)	(1,500)	0	0	0
Refund of Prior Year Receipts	0	88	88	(337)	(337)	0	0	0
Advances Out	(53,000)	(52,581)	419	(32,581)	(32,581)	0	0	0
Total Other Financing Sources (Uses)	(72,724)	(69,481)	3,243	6,718	6,718	0	0	0
Excess(Deficiency) of Revenue and Other Financing Sources Over(Under) Expenditures and Other Financing (Uses)	(396,168)	(84,119)	312,049	(55,684)	10,804	66,488	57,987	58,986
Fund Balances July 1, 1999	1,052,162	1,052,162		60,270	60,270		181,285	181,285
Prior Year Encumbrances Appropriated	191,971	191,971		31,751	31,751		0	0
Fund Balances June 30, 2000	\$847,965	\$1,160,014	\$312,049	\$36,337	\$102,825	\$66,488	\$239,272	\$240,271

The notes to the financial statements are an integral part of this statement

Variance Favorable (Unfavorable)	Capital Projects			Fiduciary Fund Type Expendable Trust			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$84,375	\$84,375	\$0	\$0	\$0	\$0	\$5,547,131	\$5,548,125	\$994
0	314,212	313,181	(1,031)	10,038	10,091	53	444,250	449,339	5,089
0	0	0	0	0	0	0	13,300	16,594	3,294
0	0	0	0	0	0	0	91,482	94,079	2,597
0	0	0	0	1,100	1,850	750	1,100	1,850	750
0	0	0	0	0	0	0	3,429,719	3,429,719	0
0	0	0	0	0	0	0	88,994	90,471	1,477
0	398,587	397,556	(1,031)	11,138	11,941	803	9,615,976	9,630,177	14,201
0	0	0	0	86	0	86	4,169,121	4,073,714	95,407
0	0	0	0	0	0	0	489,751	451,220	38,531
0	0	0	0	0	0	0	192,778	184,254	8,524
0	0	0	0	0	0	0	391,842	376,537	15,305
0	0	0	0	1,480	0	1,480	417,484	381,132	36,352
0	0	0	0	0	0	0	34,023	28,634	5,389
0	0	0	0	0	0	0	978,107	935,481	42,626
995	0	0	0	0	0	0	263,777	251,962	11,815
0	0	0	0	0	0	0	1,102,088	1,019,973	82,115
0	0	0	0	0	0	0	728,255	707,682	20,573
0	0	0	0	0	0	0	90,500	89,773	727
0	63,560	28,307	35,253	20,000	18,259	1,741	85,160	46,566	38,594
0	0	0	0	100	50	50	260,560	256,048	4,512
0	7,147,729	7,124,306	23,423	0	0	0	7,147,729	7,124,306	23,423
0	0	0	0	0	0	0	26,500	26,500	0
4	0	0	0	0	0	0	389,390	389,386	4
999	7,211,289	7,152,613	58,676	21,666	18,309	3,357	16,767,065	16,343,168	423,897
999	(6,812,702)	(6,755,057)	57,645	(10,528)	(6,368)	4,160	(7,151,089)	(6,712,991)	438,098
0	31,250	31,250	0	0	0	0	76,139	76,139	0
0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	45	1,822	1,777
0	0	0	0	0	0	0	300	1,259	959
0	0	0	0	0	0	0	85,162	85,162	0
0	0	0	0	0	0	0	2,955	2,955	0
0	0	0	0	0	0	0	(113,439)	(113,439)	0
0	0	0	0	0	0	0	(337)	(249)	88
0	0	0	0	0	0	0	(85,581)	(85,162)	419
0	31,250	31,250	0	0	0	0	(34,756)	(31,513)	3,243
999	(6,781,452)	(6,723,807)	57,645	(10,528)	(6,368)	4,160	(7,185,845)	(6,744,504)	441,341
	5,465,390	5,465,390		19,934	19,934		6,779,041	6,779,041	
	1,407,380	1,407,380		0	0		1,631,102	1,631,102	
\$999	\$91,318	\$148,963	\$57,645	\$9,406	\$13,566	\$4,160	\$1,224,298	\$1,665,639	\$441,341

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
Combining Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Type
	Enterprise
Operating Revenues:	
Tuition and Fees	\$21,069
Sales	247,528
Other Operating Revenues	6,016
Total Operating Revenues	<u>274,613</u>
Operating Expenses:	
Salaries and Wages	169,102
Fringe Benefits	77,102
Purchased Services	10,088
Materials and Supplies	212,464
Depreciation	4,200
Other Operating Expenses	1,802
Total Operating Expenses	<u>474,758</u>
Operating (Loss)	<u>(200,145)</u>
Non-Operating Revenues:	
Federal Commodities	43,909
Interest	570
Grants - State	5,346
Grants - Federal	100,031
Total Non-Operating Revenues	<u>149,856</u>
Net (Loss) Before Operating Transfers	(50,289)
Operating Transfer-In	37,900
Net (Loss)	<u>(12,389)</u>
Retained Earnings at July 1, 1999	<u>3,845</u>
Retained Earnings at June 30, 2000	<u>(8,544)</u>
Contributed Capital at July 1, 1999	0
Contributed Capital During Fiscal Year	<u>43,465</u>
Contributed Capital at June 30, 2000	<u>43,465</u>
Total Fund Equity at June 30, 2000	<u><u>\$34,921</u></u>

The notes to the financial statements are an integral part of this statement.

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
 Combined Statement of Cash Flows
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2000

	Proprietary Fund Type <u>Enterprise</u>
Cash Flows from Operating Activities:	
Cash Received from Tuition and Fees	\$20,882
Cash Received from Sales/Charges for Services	247,530
Cash Received from Other Operations	6,016
Cash Payments for Personal Services	(237,332)
Cash Payments for Contract Services	(10,202)
Cash Payments for Supplies and Materials	(189,751)
Cash Payments for Other Expenses	(1,828)
Net Cash (Used for) Operating Activities	<u>(164,685)</u>
Cash Flows from Non-Capital Financing Activities:	
Cash Received from Grants - State	5,346
Cash Received from Grants - Federal	101,862
Transfers In from Other Funds	37,900
Advances In from Other Funds	20,000
Advances Out to Other Funds	(20,000)
Net Cash Provided by Non-Capital Financing Activities	<u>145,108</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of Capital Assets	(1,157)
Net Cash (Used for) Capital and Related Financing Activities	<u>(1,157)</u>
Cash Flows from Investing Activities:	
Interest Proceeds	570
Net Cash Provided by Investing Activities	<u>570</u>
Net (Decrease) in Cash and Cash Equivalents	(20,164)
Cash and Cash Equivalents at July 1, 1999	<u>22,961</u>
Cash and Cash Equivalents at June 30, 2000	<u><u>\$2,797</u></u>
Reconciliation of Operating (Loss) to Net Cash (Used for) Operating Activities:	
Operating (Loss)	(\$200,145)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used for) Operating Activities:	
Depreciation	4,200
Federal Commodities Used	43,909
Changes in Assets and Liabilities:	
Materials and Supplies Inventory	(2,782)
Accounts Receivable	(214)
Prepaid Items	3
Accounts Payable	(18,529)
Accrued Wages and Benefits	(8,141)
Compensated Absences Payable	7,897
Intergovernmental Payable	9,117
Total Adjustments	<u>35,460</u>
Net Cash (Used for) Operating Activities	<u><u>(\$164,685)</u></u>

The notes to the financial statements are an integral part of this statement.

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

(1) Description of the School District

The James A. Garfield Local School District (the District) is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio to provide educational services to the students and other community members of the District. Under such laws there is no authority for a School District to have a charter or adopt local laws. The legislative power of the School District is vested in the Board of Education, consisting of five members elected at large for staggered four-year terms by the citizens of the District.

The District serves an area of approximately 56 square miles in Portage County, including the Village of Garrettsville and portions of the surrounding townships of Freedom, Nelson, Hiram and Charlestown.

The District is the 365th largest in the State of Ohio (among 611 Districts) in terms of enrollment (Fall 1999 enrollment counts). It currently operates one elementary school, one middle school, and one comprehensive high school. The District is staffed by 63 non-certified and 99 certified personnel to provide services to approximately 1,547 students and other community members.

(2) Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental entities. 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. The Reporting Entity

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For the James A. Garfield School Local District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

The James A. Garfield Local School District participates in two jointly governed organizations, the Stark-Portage Area Computer Consortium (SPARCC) and the Portage Area Schools Consortium. SPARCC provides the data processing services needed by the participating school districts. The Portage Area Schools Consortium is an insurance group purchasing consortium. Information regarding these organizations is presented in Note 15.

B. Basis of Presentation, Measurement Focus and Basis of Accounting

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and management requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The District has the following fund types and account groups:

Governmental Funds

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes and accounts (student fees and rent) are susceptible to accrual. Current and delinquent property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Tax advances available at June 30, 2000 but not yet taken are recognized as revenue. Other receipts

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

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

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

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

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

Proprietary Funds

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are 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 Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with, or contradict GASB pronouncements. Proprietary funds include the following fund type:

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the governing body is that costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds include the following fund types:

Expendable Trust Fund - The Expendable Trust Fund is accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. The Expendable Trust Fund accounts for assets when both the principal and interest may be spent.

Agency Fund – The Agency Fund is custodial in nature and does not involve results of operations or has a measurement focus. This fund is used to account for assets that the government holds for others in an agency capacity.

Account Groups

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long Term Debt Account Group - This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds within an established specific 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 primary level of budgetary control is at the fund level for all funds.

Tax Budget - Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

Estimated Resources - Prior to March 15, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which state the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenues are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for the fiscal year 2000.

Appropriations - Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values of tax rates or a certificate saying that no new certificate is necessary, by October 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures. Prior to passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budgetary figures that appear in the statement of budgetary comparison represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental funds.

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 appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

State statutes authorize the District to invest in obligations of U.S. Treasury, commercial paper, repurchase agreements and Star Ohio. During fiscal year 2000, investments were limited to STAROhio and overnight repurchase agreements. Nonparticipating investment contracts such as overnight repurchase agreements are reported at cost. STAROhio is an investment pool managed by the State Treasurer's Office that allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes, all investment earnings accrue to the general fund except those specifically related to other funds individually authorized by board resolution. Interest earnings are allocated to these funds based on average monthly cash balances. Interest income earned in fiscal 2000 totaled \$449,909:

	Applicable Interest Earnings	Interest Assigned From Other District Funds
General Fund	\$126,067	\$41,852
Capital Projects Funds	313,181	-
Enterprise Funds	570	-
Expendable Trust Fund	10,091	-

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

An analysis of the Treasurer's investment account at year end is provided in Note 5.

E. Inventory

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, inventories are valued on the first-in/first-out (FIFO) method. The cost of inventoried items is recognized as an expenditure when purchased in governmental funds and an expense when used in proprietary funds. The total of inventories at year-end is reported as a reservation of fund balance in governmental funds because it does not represent available, spendable resources.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which the services are consumed. The total of prepaid items at fiscal year end is reported as a reservation of fund balance in governmental funds because it does not represent available, spendable resources.

G. Property, Plant, and Equipment; and Depreciation

1. General Fixed Assets Account Group

General fixed assets used in governmental fund types of the District are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District does not possess any infrastructure. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives.

<u>Asset</u>	<u>Life (years)</u>
Furniture, Fixtures and Equipment	5 - 20
Vehicles	10

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlement, 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 entitlement 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
- State School Bus Purchase Reimbursement
- State Property Tax Relief (Homestead and Rollback Taxes)

Special Revenue Funds

- Disadvantaged Pupil Impact Aid

Debt Service Fund

- State Property Tax Relief (Homestead and Rollback Taxes)

Non-Reimbursable Grants

Special Revenue Funds

- Venture Capital
- Education Management Information Systems (EMIS)
- OhioReads Classroom
- Eisenhower
- Title VI-B
- Title I
- Title VI
- School Net Professional Development
- Title VI-R
- Drug Free Schools
- Pre-School
- Telecommunications (E-Rate)
- Professional Development Block Grant
- Safe Schools Grant

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Capital Projects Funds

Ohio School Facilities Commission Disability Access

Reimbursable Grants

General Fund

Driver Education Reimbursement

Enterprise Funds

School Lunch Program

School Breakfast Program

Government Donated Commodities

Grants and entitlements amounted to approximately 57.28% of the District's operating revenues during the 2000 fiscal year.

I. Accrued Liabilities and Long -Term Obligations

Long term debt is recognized as a liability of a government 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 government 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.

J. Compensated Absences

The District has implemented the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through time off or some other means such as cash payment at termination or retirement.

Severance benefits are accrued using the vesting method. The liability for severance payments is based upon the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive severance termination payments, as well as those employees, who have at least 15 years of service and are at least 45 years of age.

The total liability for vacation and termination payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable salary related payments.

James A. Garfield Local School District, Ohio
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For the Fiscal Year Ended June 30, 2000

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long Term Debt Account Group. In proprietary funds, the entire amount of eligible compensated absences is reported as a fund liability.

K. Inter-fund 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 it reimbursed.

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

L. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish 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. The District received \$915 in fiscal year 2000 in refunds and rebates from the Bureau of Workers' Compensation which State statute required to be included in this reserve. These refunds are presented as "miscellaneous revenue" in the accompanying financial statements. A fund balance reserve has also been established. The District is required by State statute to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2000, the reserve activity (cash basis) was as follows:

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance As of June 30, 1999	\$ -	\$ -	\$105,668	\$105,668
Current Year Set-aside Requirement	184,783	184,783	63,509	433,075
Bureau of Workers' Compensation Refunds	-	-	915	915
Qualifying Disbursements	<u>(195,960)</u>	<u>(446,624)</u>	<u>- -</u>	<u>(642,584)</u>

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Set-aside Cash Balance				
As of June 30, 2000	<u>(11,177)</u>	<u>(261,841)</u>	<u>170,092</u>	<u>(102,926)</u>
Cash Balance Carry				
Forward to FY2001	<u>\$ (11,177)</u>	<u>- -</u>	<u>\$170,092</u>	<u>\$158,915</u>

Since the qualifying disbursements for the capital acquisition reserve exceeded the fiscal year 2000 requirements, no amount will be carried forward to June 30, 2000. The District may use the negative amount in the textbooks reserve to reduce set-aside requirements of future years. Amounts remaining at fiscal year end have been set aside to satisfy statutory requirements and are represented by restricted cash on the combined balance sheet. Corresponding amounts are reported as reserves of fund balances.

M. Fund Equity

Contributed capital is recorded in proprietary funds that received capital grants or contributions from other funds. 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 encumbrances, prepaid items, budget stabilization, debt service, property tax advances, and materials and supplies inventory. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

N. Estimates

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

O. Memorandum Only - Total Columns

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they do not represent consolidated financial information and are presented only to facilitate analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Inter-fund elimination has not been made in the aggregation of this data.

(3) Change in Financial Statement Presentation

The following beginning fund balances on the GAAP basis have been restated due to an error in

James A. Garfield Local School District, Ohio
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For the Fiscal Year Ended June 30, 2000

the prior fiscal year:

	Expendable Trust Fund
Fund Balances as Stated at June 30, 1999	\$ 21,464
Restatement	<u>(1,530)</u>
Fund Balances as Restated at June 30, 1999	<u>\$ 19,934</u>

(4) Stewardship, Compliance, and Accountability

Deficit Fund Equity

Fund balances and/or fund equity/retained earnings at June 30, 2000 included the following individual deficits:

<u>Fund</u>	<u>Deficit Fund Balances/ Retained Earnings</u>
Local Professional Block Grant	(1,017)
Disadvantaged Pupil Impact Aid	(1,285)
Miscellaneous State Grants	(51)
Food Services	(10,359)

The above fund deficits did not exist on the cash basis of accounting in accordance with Ohio Law. These GAAP fund balance deficits will be funded by anticipated future revenues not recognized and recorded at June 30.

(5) Equity in Pooled Cash and Investments

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents."

Legal Requirements: Statutes require the classification of monies held by the District in three categories:

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

Inactive Monies: Inactive deposits are public deposits 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.

James A. Garfield Local School District, Ohio
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Interim Monies: Interim deposits are deposits of interim monies. Interim monies are those monies that 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 accounts, including passbook accounts.

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

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

- A. 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;
- B. Bonds, notes, debentures, or any other obligations of securities issued by any federal government agency or instrumentality, including by 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;
- C. 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;
- D. Bonds and other obligations of the State of Ohio.
- E. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- F. The State Treasurer's Investment Pool (STAROhio); and
- G. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

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.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At fiscal year end, the carrying amount of the Districts deposits was (\$183,109) and the bank balance was \$15,391. The entire balance was covered by federal depository insurance.

Investments: The District's investments are required to be categorized below to give an indication of the level of custodial credit risk assumed by the District at 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 Districts name. STAROhio is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying Amounts</u>	<u>Market Values</u>
<u>Categorized Investments</u>					
Overnight Repurchase Agreements			<u>\$139,339</u>	\$ 139,339	\$ 139,339
<u>Non-categorized Investments</u>					
State Treasurer's Investment Pool				<u>\$6,465,910</u>	<u>\$6,465,910</u>
Total Investments			<u>\$139,339</u>	<u>\$6,605,249</u>	<u>\$6,605,249</u>

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund

James A. Garfield Local School District, Ohio
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Accounting.”

The reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 6,422,140	\$ 0
Investments of the Cash Management Pool:		
Overnight Repurchase Agreements	(139,339)	139,339
Star Ohio	<u>(6,465,910)</u>	<u>6,465,910</u>
Per GASB Statement 3	<u>\$ (183,109)</u>	<u>\$ 6,605,249</u>

(6) Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 35 percent of true value. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Portage County. The Portage County Auditor periodically advances to the School District its portion of the taxes collected. These tax “advances” are based on statutory cash flow collection rates. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent. Final “settlements” are made each February and August.

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes that became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2000 is recognized as revenue, and it is also reflected as a reservation of fund balance for future appropriations.

The assessed values upon which fiscal year 2000 taxes were collected are:

	<u>1999 Second-Half Collections Amount</u>	<u>2000 First-Half Collections Amount</u>
Real Property		
Agricultural/Residential (58.7%)	\$ 891,365	\$ 1,121,600
Commercial/Industrial (9.7%)	145,349	187,080
Public Utilities (14.0%)	228,581	252,715
Personal Property		
General (17.6%)	<u>\$ 537,059</u>	<u>\$ 65,970</u>
Total Tax Receipts	<u>\$ 1,802,354</u>	<u>\$ 1,627,365</u>
Total Assessed Value	\$104,715,537	\$108,240,019
Tax Rate per \$1,000 of Assessed Valuation	65.92	65.92

(7) Receivables

Receivables at June 30, 2000 consisted of taxes, accounts (student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows. For intergovernmental revenues only, the portion of receivables collected in the "available period" are recorded in the financial records.

	<u>Amount</u>
<u>General Fund</u>	
Taxes - Current & Delinquent	\$ 3,047,735
Accounts	531
Intergovernmental	<u>1,000</u>
Total General Fund	\$ 3,049,266

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

<u>Special Revenue Fund Type</u>	
Accounts	\$ 557
 <u>Debt Service Fund Type</u>	
Taxes - Current & Delinquent	\$ 411,673
 <u>Enterprise Fund Type</u>	
Accounts	\$ 441
Intergovernmental	15,665
Total Enterprise Fund	<u>\$ 16,106</u>
 Grand Total	 <u><u>\$ 3,477,602</u></u>

(8) Property, Plant, and Equipment

A summary of the changes in the General Fixed Asset Account Group during the fiscal year follows:

	Balance <u>July 1, 1999</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2000</u>
Land	\$376,097			\$376,097
Buildings & Improvements	2,981,830	\$729,869		3,711,699
Furniture, Fixtures & Equipment	1,547,969	115,740	\$33,296	1,630,413
Vehicles	841,734	77,369		919,103
Construction in Progress		2,064,068		2,064,068
Total	<u>\$ 5,747,630</u>	<u>\$2,987,046</u>	<u>\$33,296</u>	<u>\$8,701,380</u>

A summary of the Proprietary Fund fixed assets as of June 30, 2000 follows:

Furniture, Fixtures, and Equipment	\$ 157,495
Vehicles	15,432
Less Accumulated Depreciation	<u>(108,938)</u>
Net Fixed Assets-Proprietary Fund	<u>\$ 63,989</u>

(9) Short Term and Long Term Debt

As of June 30, 2000, the District had no outstanding short term obligations. All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long Term Debt Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. The sources of payment

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

are derived from a current .20 mill bonded debt tax levy on inside millage and a 4.62 mill voted bonded debt tax levy on outside millage.

A. The following is a description of the District's debt transactions for the year ended June 30, 2000:

	Balance 6/30/1999	Issued 2000	Retired 2000	Balance 6/30/2000
Energy Conservation Bonds – 6.75% Issued 11/1/90, Matures 12/1/00	\$53,000	-0-	\$26,500	\$26,500
School Improvement Bonds –				
3.25% Issued 3/1/99, Matures 12/1/00	\$180,000	-0-	-0-	\$180,000
3.50% Issued 3/1/99, Matures 12/1/01	\$185,000	-0-	-0-	\$185,000
3.70% Issued 3/1/99, Matures 12/1/02	\$190,000	-0-	-0-	\$190,000
3.80% Issued 3/1/99, Matures 12/1/03	\$200,000	-0-	-0-	\$200,000
3.90% Issued 3/1/99, Matures 12/1/04	\$205,000	-0-	-0-	\$205,000
3.95% Issued 3/1/99, Matures 12/1/05	\$215,000	-0-	-0-	\$215,000
12.902% Issued 3/18/99, Matures 12/1/06	\$85,885	-0-	-0-	\$85,885
12.902% Issued 3/18/99, Matures 12/1/07	\$74,107	-0-	-0-	\$74,107
4.25% Issued 3/1/99, Matures 12/1/08	\$225,000	-0-	-0-	\$225,000
4.25% Issued 3/1/99, Matures 12/1/09	\$235,000	-0-	-0-	\$235,000
4.35% Issued 3/1/99, Matures 12/1/10	\$245,000	-0-	-0-	\$245,000
4.45% Issued 3/1/99, Matures 12/1/11	\$255,000	-0-	-0-	\$255,000
4.50% Issued 3/1/99, Matures 12/1/12	\$265,000	-0-	-0-	\$265,000
4.60% Issued 3/1/99, Matures 12/1/13	\$275,000	-0-	-0-	\$275,000
4.70% Issued 3/1/99, Matures 12/1/14	\$290,000	-0-	-0-	\$290,000
4.75% Issued 3/1/99, Matures 12/1/15	\$300,000	-0-	-0-	\$300,000
4.80% Issued 3/1/99, Matures 12/1/16	\$315,000	-0-	-0-	\$315,000
4.85% Issued 3/1/99, Matures 12/1/17	\$330,000	-0-	-0-	\$330,000
4.90% Issued 3/1/99, Matures 12/1/18	\$350,000	-0-	-0-	\$350,000
4.90% Issued 3/1/99, Matures 12/1/19	\$365,000	-0-	-0-	\$365,000
5.00% Issued 3/1/99, Matures 12/1/20	\$385,000	-0-	-0-	\$385,000
5.00% Issued 3/1/99, Matures 12/1/21	\$400,000	-0-	-0-	\$400,000
5.00% Issued 3/1/99, Matures 12/1/22	\$420,000	-0-	-0-	\$420,000
5.00% Issued 3/1/99, Matures 12/1/23	\$445,000	-0-	-0-	\$445,000
5.00% Issued 3/1/99, Matures 12/1/24	\$465,000	-0-	-0-	\$465,000
TOTALS	\$6,952,992	-0-	\$26,500	\$6,926,492

B. The following is a summary of the District's future annual debt service requirements to maturity for general obligation debt:

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Year Ending June 30	Principal on General Obligation Debt	Interest on General Obligation Debt	Total
2001	\$206,500	\$307,332	\$513,832
2002	\$185,000	\$300,275	\$485,275
2003	\$190,000	\$293,523	\$483,523
2004	\$200,000	\$286,208	\$486,208
2005	\$205,000	\$278,410	\$483,410
2006	\$215,000	\$270,166	\$485,166
2007	\$ 85,885	\$405,035	\$490,920
2008	\$ 74,107	\$411,813	\$485,920
2009	\$225,000	\$261,139	\$486,139
2010	\$235,000	\$251,364	\$486,364
2011	\$245,000	\$241,041	\$486,041
2012	\$255,000	\$230,039	\$485,039
2013	\$265,000	\$218,403	\$483,403
2014	\$275,000	\$206,115	\$481,115
2015	\$290,000	\$192,975	\$482,975
2016	\$300,000	\$179,035	\$479,035
2017	\$315,000	\$164,350	\$479,350
2018	\$330,000	\$148,788	\$478,788
2019	\$350,000	\$132,210	\$482,210
2020	\$365,000	\$114,693	\$479,693
2021	\$385,000	\$ 96,125	\$481,125
2022	\$400,000	\$ 76,500	\$476,500
2023	\$420,000	\$ 56,000	\$476,000
2024	\$445,000	\$ 34,375	\$479,375
2025	\$465,000	\$ 11,625	\$476,625
TOTALS	\$6,926,492	\$5,167,539	\$12,094,031

C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long Term Debt Account Group. Compensated absences and intergovernmental payable will be paid from the fund from which the employee is paid:

	Balance <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2000</u>
Compensated Absences	\$ 568,605	47,354	-0-	\$ 615,959
Intergovernmental Payable	\$ 68,059	67,477	(68,059)	67,477

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

General Obligation Bonds	\$6,952,992	-0-	(26,500)	\$6,926,492
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D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The Code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$9,741,601 and an unvoted debt margin of \$108,240.

(10) Segment Information - Enterprise Funds

The District maintains two enterprise funds to account for the operations of food services and uniform school supplies. Selected segment information for the year ended June 30, 2000 is as follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$253,496	\$21,117	\$274,613
Depreciation Expense	4,200	-0-	4,200
Operating (Loss)	(199,187)	(958)	(200,145)
Operating Grants	105,377	-0-	105,377
Operating Transfer In	37,500	400	37,900
Net (Loss)	(11,831)	(558)	(12,389)
Property, Plant & Equipment			
Additions	44,977	-0-	44,977
Deletions	3,543	-0-	3,543
Net Working Capital	(30,883)	1,815	(29,068)

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

Total Assets	103,543	1,815	105,358
Total Liabilities	70,437	-0-	70,437
Total Equity	33,106	1,815	34,921

(11) Defined Benefit Pension Plans

A School Employees Retirement System

The James A. Garfield Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to The School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Plan members are required to contribute 9 % of their annual covered salary and the James A. Garfield Local School District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the years ended June 30, 2000, 1999, and 1998 were \$96,213, \$88,786, and \$88,436 respectively; 45.64 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$103,073 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term debt account group.

B. State Teachers Retirement System

The James A. Garfield Local School District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS is a statewide retirement plan for certified teachers and other faculty members employed in the public schools of Ohio or any school, college, university, institution, or other agency wholly controlled, managed, and supported in whole, or in part, by the state or any political subdivision thereof. Any member who has (i) five years of service credit and attained age 60, (ii) 25 years of service credit and attained age 55, or (iii) 30 years of service credit regardless of age may retire. The maximum annual retirement allowance, payable for life, is the greater of the "formula benefit" or the

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

“money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest years’ salaries. The annual allowance is calculated by using a base percentage of 2.1% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached.

Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The retiree of STRS or other Ohio public retirement is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the re-employed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Retirement benefits are annually increased by the greater of the amount of the change in the Consumer Price Index (CPI) or the cumulative CPI increases since retirement, less previous cost-of-living increases, up to a maximum of 3% of the original base benefit. The plan offers comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians’ fees, prescription drugs and partial reimbursement of monthly Medicare premiums.

A member with five or more years’ credited service who becomes disabled is entitled to a disability benefit. Survivor benefits are available to eligible spouses and dependents of active members who died before retirement. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member. Additional death benefit coverage of \$1,000 or \$2,000 can be purchased. Various other benefits are available to members’ beneficiaries.

Benefits are established and may be amended by Chapter 3307, Revised Code.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2000, were 9.3% of covered payroll for members and 14% for employers. The James A. Garfield Local School District’s required contributions for pension obligations to STRS for the

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

fiscal years ended June 30, 2000, 1999 and 1998 were \$245,680, \$242,528 and \$233,692 respectively; 82.90 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$98,028 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

STRS issues a stand-alone financial report. Copies of STRS' 2000 Comprehensive Annual Financial Report will be available after January 1, 2001, and can be requested by writing to STRS, 275 E. Broad St., Columbus, Ohio 43215-3371, or by calling (614) 227-4090.

(12) Post-Employment Benefits

A. School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide post-retirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more 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% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999 (the latest information available), the allocation rate was 6.30%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$126.4 million and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million.

The number of participants statewide currently receiving health care benefits is 51,000.

The portion of the District's contributions that were used to fund post-employment benefits was \$93,400 during the 2000 fiscal year.

B. State Teachers Retirement System

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

drugs and reimbursement of monthly Medicare premiums. All benefit recipient and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code (RC), the State Teachers Retirement Board (the board) has discretionary 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.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1999, the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2,783 million on June 30, 1999 (the latest information available). The Health Care Reserve Fund allocation for the year ended June 30, 2000, will be 8% of covered payroll.

For the year ended June 30, 1999 the net health care costs paid by STRS were \$249,929,000. There were 95,796 eligible benefit recipients statewide. The portion of the District's contributions that were used to fund post-employment benefits was \$327,536 during the 2000 fiscal year.

(13) Employee Benefits

Special Termination Benefit Payable

The James A. Garfield Board of Education approved a three year contract with their certified staff on June 30, 1997. This contract covers the period of July 1, 1997 through June 30, 2000. Active certified employees who have at least ten years of continuous full-time service with the James A. Garfield Local School District and are eligible by STRS standards to retire can elect to retire by July 1 and receive a \$15,000 bonus payable by January 31 of the calendar year following retirement. Those employees who choose not to retire the year they reach eligibility for retirement will later be ineligible to receive the \$15,000 bonus. Notification of retirement must be submitted no later than April 1 of the year of retirement or the employee will become ineligible for the bonus. The District had no certified employees elect to retire on July 1, 1999. The District had two certified employees elect to retire on July 1, 2000. Each of those employees will receive \$15,000 by January 31 in the calendar year 2001.

The James A. Garfield Board of Education approved a three year contract with their classified staff on January 22, 1998. This contract covers the period of January 1, 1998 through June 30, 2000. Active classified employees who have at least ten years of continuous full-time service with the James A. Garfield Local School District and are eligible by SERS standards to retire can elect to

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

retire by July 1 and receive a bonus of one third of their last year's pay payable by January 31 of the calendar year following retirement. Those employees who choose not to retire the year they achieve thirty years service credit for retirement purposes will later be ineligible to receive the bonus. Notification of retirement must be submitted no later than April 1 of the year of retirement. The District had no classified employees elect to retire by April 1, 1999. The District had one employee elect to retire on April 1, 2000 and four employees elect to retire on July 1, 2000. Each of those employees will receive one third of their last year's pay by January 31 in the calendar year 2000.

At June 30, 2000, compensated absences included \$61,120 of special termination benefits recorded in the Enterprise Funds and General Long Term Debt Account Group.

(14) Budgetary Basis of Accounting

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and Expendable Trust Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for governmental funds and the expendable trust fund are as follows:

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing (Uses)**

	Governmental Fund Types				Fiduciary Fund Type
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund
Budget Basis	\$(84,119)	\$10,804	\$58,986	\$(6,723,807)	\$ (6,368)
Net Adjustment for Revenue Accruals	(182,271)	3,375	(38,072)	84,375	-0-
Net Adjustment for Expenditure Accruals	(143,857)	42,218	-0-	(605,695)	(1)
Net Adjustment for Other Sources /Uses	(1,347)	(3,218)	-0-	31,250	-0-
Adjustment for Encumbrances	<u>378,872</u>	<u>24,849</u>	<u>-0-</u>	<u>4,339,927</u>	<u>-0-</u>
GAAP Basis	<u>\$(32,722)</u>	<u>\$78,028</u>	<u>\$20,914</u>	<u>\$(2,873,950)</u>	<u>\$(6,369)</u>

(15) Risk Management

Portage Area Schools Consortium - Property/Casualty Pool

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The District has joined together with other school districts in the State to form the Portage Area Schools Consortium Property Casualty Pool, a public entity risk pool currently operating as a common risk management and insurance program for nine member school districts. In fiscal year 2000, the District paid an annual premium of \$13,160 for its property and fleet insurance. The District's property and fleet insurance liability limit is \$20,532,900.

The District carries liability coverage through Nationwide Ohio School District Liability Insurance. The limits for liability coverage is \$1,000,000 each occurrence and \$5,000,000

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

aggregate. Employee benefits liability coverage is included in the District's liability coverage with same basic policy limits.

The District's umbrella policy has a liability limit of \$2,000,000.

Portage Area Schools Consortium - Administrative Services

The District has joined together with nine other school districts in Portage County to form the Portage Area Schools Consortium, an agreement by and between the group of nine schools and Benefit Services, Inc., a third party administrator. The public entity risk pool operates as a common risk management and insurance program for the member school districts. The districts pay a premium to the Portage Area Schools Consortium for its medical, dental, life, and prescriptions.

The health and dental plan are administered by Benefit Services, Inc. Under this plan, the districts are responsible for paying claims out of its reserve up to \$100,000 per individual per year for a total aggregate of \$11,802,847. The districts' stop-loss carrier is the AIG Life Insurance Company.

The districts' life insurance coverage is provided by Anthem Life Insurance Company.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

OSBA Group Rating Program

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The Group Rating Program's business and affairs are conducted by a three member Board of Directors consisting of the President, the President Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling"

James A. Garfield Local School District, Ohio
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For the Fiscal Year Ended June 30, 2000

arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP' selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP. GatesMcDonald Health Plus, Inc. serves as the District's managed care organization (MCO).

(16) Jointly Governed Organizations

Stark/Portage Area Computer Consortium (SPARCC)

The District is a participant with other school districts in a joint venture to operate the Stark/Portage Area Computer Consortium (SPARCC). SPARCC was formed for the purpose of providing computer services to the member school districts. SPARCC is governed by a board of directors consisting of the superintendent of the member school districts. Members of SPARCC are assessed annual user fees and periodic capital improvement fees based on their average daily membership. The degree of control exercised by any participating school district is limited to its representation on the board. In accordance with the joint venture agreement, the District remitted \$21,033 to SPARCC in fiscal year 2000.

Portage Area Schools Consortium

The District is a participant with other school districts in Portage County to form the Portage Area Schools Consortium. The Portage Area Schools Consortium was established for the purpose of promoting cooperative agreements and activities among its nine members and any other future members in dealing with problems of mutual concern. Present agreements are 1.) Agreement Regarding Health Care Benefits Program/Health & Welfare Trust, and 2.) Agreement Regarding the Property and Casualty Insurance Program. The Portage Area Schools Consortium is governed by a Council of Governments consisting of the superintendent of each of the member school districts. The degree of control exercised by any member school district is limited to its representation on the council of governments. Members of the Health & Welfare Trust are charged a monthly premium for each of the types of insurance they purchase through the consortium. Premiums are determined by the Council of Governments and based upon estimated program costs. The District carried its medical, dental, prescription, life and cobra insurance through the Health & Welfare Trust and remitted \$764,632 in fiscal year 2000. Members of the Property & Casualty Insurance Program are charged an annual premium based on estimated program costs. The District purchased property insurance and fleet insurance and remitted \$7,084 and \$6,076 in fiscal year 2000.

Maplewood Area Joint Vocational School

The Vocational School District is also a jointly governed organization. The Board of Education for the Vocational School is comprised of representatives from each board of education of the member school districts. The Maplewood Area Joint Vocational School is responsible for approving its own budget, appointing personnel, and accounting and finance related activities.

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

The District's students may attend the Vocational School as a high school curricular choice. The Maplewood Area Joint Vocational School receives 4.0 outside mills adjusted from the taxpayers of the James A. Garfield Local School District for its operation.

(17) Contingent Liabilities

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is currently not a party to any legal proceedings.

(18) State School Funding Decision

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 the 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, 2000, the District received \$4,730,977 of school foundation support for its general fund, and \$4,751,913 in total (all funds) support.

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 appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..."

James A. Garfield Local School District, Ohio
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2000

including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

**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
James A. Garfield Local School District
8235 Park Avenue
Garrettsville, Ohio 44231

We have audited the general purpose financial statements of the James A. Garfield Local School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated December 27, 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 general purpose 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 general purpose 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*.

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 general purpose 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 general purpose 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 operations that we consider to be material weaknesses.

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 27, 2000

**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
James A. Garfield Local School District
8235 Park Avenue
Garrettsville, Ohio 44231

Compliance

We have audited the compliance of the James A. Garfield Local School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 James A. Garfield Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

December 27, 2000

**James A. Garfield Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2000**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Entity Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	----	\$39,839	\$43,909
School Breakfast Program	10.553	----	15,708	15,708
National School Lunch Program	10.555	----	86,154	86,154
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>141,701</u>	<u>145,771</u>
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Innovative Education Program Strategies (ESEA Title VI)	84.298	049205-C2-S1-2000	7,380	7,380
Innovative Education Program Strategies (ESEA Title VI)	84.298	049205-C2-S1-1999C	965	1,156
Total ESEA Title VI			<u>8,345</u>	<u>8,536</u>
Title I Grants to Local Educational Agencies	84.010	049205-C1-S1-2000	142,618	119,552
Title I Grants to Local Educational Agencies	84.010	049205-C1-S1-1999C	13,550	4,886
Title I Grants to Local Educational Agencies	84.010	049205-C1-S1-1999	48,848	57,099
Total Title I			<u>205,016</u>	<u>181,537</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	049205-DR-S1-2000	6,355	4,998
Safe and Drug-Free Schools and Communities - State Grants	84.186	049205-DR-S1-1999	0	1,967
Safe and Drug-Free Schools and Communities - State Grants	84.186	049205-DR-S1-1998	0	885
Total Safe and Drug-Free			<u>6,355</u>	<u>7,850</u>
Class Size Reduction (Title VI-R)	84.340	049205-CR-S1-2000	9,916	0
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049205-6B-SF-2000P	76,459	59,611
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049205-6B-SF-1999P	1,800	10,349
Total Title VI-B Flow-Thru			<u>78,259</u>	<u>69,960</u>
<i>Passed Through Ohio Department of Education/Passed Through Portage County Educational Service Center:</i>				
Special Education - Preschool Grants	84.173	049163-PG-S1-2000P	3,435	3,435
Special Education - Preschool Grants	84.173	049163-PG-S1-1999P	379	379
Total Preschool Grants			<u>3,814</u>	<u>3,814</u>
Total Special Education Cluster			<u>82,073</u>	<u>73,774</u>
<i>Passed Through Ohio Department of Education/Passed Through Portage County Educational Service Center:</i>				
Eisenhower Professional Development State Grants	84.281	049163-MS-S1-2000	182	182
Eisenhower Professional Development State Grants	84.281	049163-MS-S1-1999C	2,648	2,648
Eisenhower Professional Development State Grants	84.281	049163-MS-S1-1999	55	55
Eisenhower Professional Development State Grants	84.281	049163-MS-S1-1998C	940	940
Total Eisenhower			<u>3,825</u>	<u>3,825</u>
Total U.S. Department of Education			<u>315,530</u>	<u>275,522</u>
Total Federal Assistance			<u><u>\$457,231</u></u>	<u><u>\$421,293</u></u>

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the 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, 2000, the District had no significant food commodities in inventory.

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

JAMES A. GARFIELD LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)

(d)(1)(vii)	Major Programs:	Child Nutrition Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; and National School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

JAMES A GARFIELD LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 27, 2001**