



**Auditor of State
Betty Montgomery**

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To the Board of Education

We have audited the accompanying general-purpose financial statements of Geneva Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2002, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Geneva Area City School District, Ashtabula County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2003 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.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for 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. We subjected this information 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.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

March 18, 2003

**Geneva Area City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Assets and Other Debits:										
Equity in Pooled Cash and Cash Equivalents	\$ 4,759,140	561,331	149,453	1,137,683	0	1,240	124,419	0	0	\$ 6,733,266
Restricted Asset	358,077	0	0	0	0	0	0	0	0	358,077
Cash with Fiscal Agent	0	0	15,000	0	0	0	0	0	0	15,000
Taxes Receivable	5,103,317	0	76,841	235,161	0	0	0	0	0	5,415,319
Interfund Receivable	7,002	0	0	0	0	0	0	0	0	7,002
Intergovernmental Receivables	1,445	36,434	53	53	0	0	0	0	0	37,985
Accounts Receivable	74,099	0	0	0	0	0	0	0	0	74,099
Supplies Inventory	60,255	0	0	0	2,457	0	0	0	0	62,712
Inventory for Resale	0	0	0	0	15,506	0	0	0	0	15,506
Property, Plant & Equipment	0	0	0	0	388,252	0	0	12,678,663	0	13,066,915
Accumulated Depreciation, where applicable	0	0	0	0	(211,171)	0	0	0	0	(211,171)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	149,506	149,506
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	2,702,477	2,702,477
Total Assets and Other Debits	\$10,363,335	597,765	241,347	1,372,897	195,044	1,240	124,419	12,678,663	2,851,983	\$ 28,426,693

(Continued)

**Geneva Area City School District
Combined Balance Sheet
All Fund Types and Account Groups, Continued
June 30, 2002**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary	Account Groups		Totals	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum Only)
Liabilities:										
Interfund Payable	\$ 0	0	0	0	7,002	0	0	0	0	\$ 7,002
Intergovernmental Payable	393,024	16,069	0	0	29,039	0	73	0	122,644	560,849
Accounts Payable	52,003	21,319	0	909	0	0	224	0	0	74,455
Judgements Payable	18,582	0	0	0	0	0	0	0	0	18,582
Matured Bonds & Coupons Payable	0	0	15,000	0	0	0	0	0	0	15,000
Accrued Salaries and Benefits	1,991,098	82,662	0	0	57,916	0	0	0	0	2,131,676
Deferred Revenue	3,016,014	0	45,086	137,611	0	0	0	0	0	3,198,711
Due to Others	0	0	0	0	0	0	71,840	0	0	71,840
General Obligation Bonds Payable	0	0	0	0	0	0	0	0	1,065,000	1,065,000
Compensated Absences Payable	17,483	0	0	0	40,024	0	0	0	1,664,339	1,721,846
Total Liabilities	5,488,204	120,050	60,086	138,520	133,981	0	72,137	0	2,851,983	8,864,961
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	12,678,663	0	12,678,663
Contributed Capital	0	0	0	0	82,765	0	0	0	0	82,765
Retained Earnings	0	0	0	0	(21,702)	1,240	0	0	0	(20,462)
Fund Balances:										
Reserved for Scholarship Funds	0	0	0	0	0	0	33,670	0	0	33,670
Reserved for Budget Stabilization	358,077	0	0	0	0	0	0	0	0	358,077
Reserved for Inventory	60,255	0	0	0	0	0	0	0	0	60,255
Reserved for Encumbrances	268,028	76,021	0	35,310	0	0	500	0	0	379,859
Reserved for Future Appropriation	2,087,303	0	31,755	97,550	0	0	0	0	0	2,216,608
Reserved for Debt Service	0	0	149,506	0	0	0	0	0	0	149,506
Unreserved Fund Balance	2,101,468	401,694	0	1,101,517	0	0	18,112	0	0	3,622,791
Total Fund Balances/Retained Earnings and Other Credits	4,875,131	477,715	181,261	1,234,377	61,063	1,240	52,282	12,678,663	0	19,561,732
Total Liabilities, Fund Equity, and Other Credits	\$10,363,335	597,765	241,347	1,372,897	195,044	1,240	124,419	12,678,663	2,851,983	\$ 28,426,693

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
REVENUES:						
Taxes	\$ 5,444,962	0	160,571	165,596	0	\$ 5,771,129
Tuition	924,989	0	0	0	0	924,989
Earnings on Investments	225,899	1,269	0	36,308	743	264,219
Extracurricular Activities	0	126,491	0	0	0	126,491
Miscellaneous	9,549	605	0	0	5	10,159
Revenue from State Sources						
Unrestricted Grants-in-Aid	11,468,884	0	18,684	19,144	0	11,506,712
Restricted Grants-in-Aid	347,215	338,956	0	136,465	0	822,636
Revenue from Federal Sources						
Unrestricted Grants -in-Aid	0	91,977	0	0	0	91,977
Restricted Grants-in-Aid	0	685,873	0	0	0	685,873
Total Revenue	18,421,498	1,245,171	179,255	357,513	748	20,204,185
EXPENDITURES:						
Instruction						
Regular	8,825,583	149,079	0	5,309	3,385	8,983,356
Special	1,412,148	522,207	0	0	0	1,934,355
Vocational	314,759	0	0	0	0	314,759
Other	804,446	0	0	0	0	804,446
Supporting Services						
Pupils	1,165,917	158,473	0	104,857	0	1,429,247
Instructional Staff	460,331	79,928	0	7,379	0	547,638
Board of Education	11,680	0	0	0	0	11,680
Administration	1,050,019	68,488	0	0	0	1,118,507
Fiscal Services	352,884	0	5,693	3,205	0	361,782
Business	44,171	0	0	0	0	44,171
Operation & Maintenance-Plant	1,561,291	20,810	0	0	0	1,582,101
Pupil Transportation	1,375,902	16,796	0	0	0	1,392,698
Central Services	2,984	0	0	0	0	2,984
Operation of Non-Instructional Services						
Community Services	0	97,413	0	0	0	97,413
Food Service Operations	31,193	0	0	2,880	0	34,073
Extracurricular Activities						
Academic & Subject Oriented	43,348	33,019	0	0	0	76,367
Occupation Oriented Activities	0	5,722	0	0	0	5,722
Sports Oriented	301,836	111,182	0	0	0	413,018
Co-Curricular Activities	21,262	14,487	0	0	0	35,749
Capital Outlay						
Site Improvement	15,001	0	0	0	0	15,001
Building Construction and Improvement	71,827	0	0	13,250	0	85,077
Debt Service						
Principal Payment	0	0	50,000	325,000	0	375,000
Interest Payment	0	0	50,565	11,570	0	62,135
Total Expenditures	17,866,582	1,277,604	106,258	473,450	3,385	19,727,279
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	554,916	(32,433)	72,997	(115,937)	(2,637)	476,906
Other Financing Sources and Uses:						
Sale & Loss of Assets	32,489	0	0	0	0	32,489
Proceeds from Sale of Bonds	0	0	0	275,000	0	275,000
Transfers-In	0	37,418	0	0	0	37,418
Transfers-Out	(147,462)	0	0	0	0	(147,462)
Refund of Prior Years Expenditures	23,883	0	0	0	0	23,883
Other Financing Uses	(1,181)	0	0	0	0	(1,181)
Net Other Financing Sources and Uses	(92,271)	37,418	0	275,000	0	220,147
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	462,645	4,985	72,997	159,063	(2,637)	697,053
Increase in Inventory	(1,130)	0	0	0	0	(1,130)
Beginning Fund Balance, as restated	4,413,916	472,730	108,264	1,075,314	21,249	6,091,473
Ending Fund Balance	\$ 4,875,431	\$ 477,715	\$ 181,261	\$ 1,234,377	\$ 18,612	\$ 6,787,396

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds
Year Ended June 30, 2002

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 5,561,673	5,561,673	0	0	0	\$ 0
Tuition	923,201	924,940	1,739	0	0	0
Earnings on Investment	236,538	235,314	(1,224)	1,248	1,269	21
Extracurricular Activities	0	0	0	128,018	128,018	0
Miscellaneous	7,580	8,249	669	605	605	0
State Unrestricted Grants-in-Aid	11,390,536	11,467,438	76,902	0	0	0
State Restricted Grants-in-Aid	346,725	347,215	490	336,701	340,151	3,450
Federal Unrestricted Grants-in-aid	0	0	0	103,051	103,051	0
Federal Restricted Grants-in-Aid	0	0	0	726,469	671,590	(54,879)
Total Revenue	18,466,253	18,544,829	78,576	1,296,092	1,244,684	(51,408)
Expenditures:						
Regular Instruction	9,280,690	8,684,786	595,904	212,736	169,395	43,341
Special Instruction	1,595,977	1,385,469	210,508	590,410	489,441	100,969
Vocational Instruction	334,860	307,962	26,898	0	0	0
Other Instruction	751,649	805,701	(54,052)	0	0	0
Support Services-Pupils	1,275,863	1,196,719	79,144	275,060	181,482	93,578
Support Services-Instructional Staff	472,826	448,304	24,522	120,722	84,874	35,848
Support Services-Board of Education	21,810	11,680	10,130	0	0	0
Support Services-Administration	1,705,069	1,297,277	407,792	93,799	68,703	25,096
Support Services-Fiscal Services	371,468	346,177	25,291	0	0	0
Support Services-Business	45,000	42,895	2,105	0	0	0
Operation & Maintenance-Plant	1,821,926	1,592,812	229,114	20,810	20,810	0
Support Services-Transportation	1,493,090	1,351,838	141,252	21,506	19,176	2,330
Support Services-Central	4,500	2,984	1,516	0	0	0
Food Services Operations	36,816	35,266	1,550	0	0	0
Community Services	0	0	0	149,994	133,223	16,771
Academic & Subject Oriented	46,812	41,916	4,896	45,668	34,037	11,631
Occupation Oriented Activities	0	0	0	11,791	5,722	6,069
Sports Oriented	317,506	303,620	13,886	122,853	114,739	8,114
Co-Curricular activities	22,236	20,741	1,495	31,789	15,488	16,301
Site Improvement	71,906	57,215	14,691	0	0	0
Building Improvement	117,023	90,659	26,364	0	0	0
Debt Service:						
Payment of Principal	0	0	0	0	0	0
Payment of Interest	0	0	0	0	0	0
Total Expenditures	19,787,027	18,024,021	1,763,006	1,697,138	1,337,090	360,048
Excess of Revenue Over (Under) Expenditures	(1,320,774)	520,808	1,841,582	(401,046)	(92,406)	308,640
Other Financing Sources (Uses):						
Sale & Loss of Assets	32,489	32,489	0	0	0	0
Proceeds from Sale of Notes	0	0	0	0	0	0
Transfers-In	0	0	0	39,029	37,418	(1,611)
Advances-In	8,292	8,292	0	0	0	0
Refund of Prior Years Expenditures	21,800	21,800	0	4,423	4,423	0
Transfers-Out	(150,000)	(147,462)	2,538	0	0	0
Advances-Out	(15,000)	(7,003)	7,997	0	(1,195)	(1,195)
Refund of Prior Years Receipts	(53)	(53)	0	0	0	0
Other Miscellaneous Uses	(20,000)	0	20,000	0	0	0
Total Other Financing Sources (Uses)	(122,472)	(91,937)	30,535	43,452	40,646	(2,806)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,443,246)	428,871	1,872,117	(357,594)	(51,760)	305,834
Beginning Fund Balance	3,856,952	3,856,952	0	451,671	451,671	0
Prior Year Carry Over Encumbrances	537,526	537,526	0	63,771	63,771	0
Ending Fund Balance	\$ 2,951,232	4,823,349	1,872,117	157,848	463,682	\$ 305,834

(Continued)

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 161,289	161,289	0	168,040	168,040	\$ 0
Tuition	0	0	0	0	0	0
Earnings on Investment	0	0	0	36,000	36,308	308
Extracurricular Activities	0	0	0	0	0	0
Miscellaneous	0	0	0	19,091	19,091	0
State Unrestricted Grants-in-Aid	18,631	18,631	0	127,765	136,465	8,700
State Restricted Grants-in-Aid	0	0	0	0	0	0
Federal Unrestricted Grants-in-aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	179,920	179,920	0	350,896	359,904	9,008
Expenditures:						
Regular Instruction	0	0	0	15,424	5,299	10,125
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	199,642	139,667	59,975
Support Services-Instructional Staff	0	0	0	25,749	7,879	17,870
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	0	0	0
Support Services-Fiscal Services	5,826	5,693	133	4,000	3,205	795
Support Services-Business	0	0	0	0	0	0
Operation & Maintenance-Plant	0	0	0	0	0	0
Support Services-Transportation	0	0	0	0	0	0
Support Services-Central	0	0	0	0	0	0
Food Services	0	0	0	25,000	2,880	22,120
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular activities	0	0	0	0	0	0
Site Improvement	0	0	0	0	0	0
Building Improvement	0	0	0	371,000	13,250	357,750
Debt Service:						
Payment of Principal	50,000	50,000	0	325,000	325,000	0
Payment of Interest	60,804	50,565	10,239	11,570	11,570	0
Total Expenditures	116,630	106,258	10,372	977,385	508,750	468,635
Excess of Revenue Over (Under) Expenditures	63,290	73,662	10,372	(626,489)	(148,846)	459,627
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	0	0	0
Proceeds from Sale of Notes	0	0	0	275,000	275,000	0
Transfers-In	0	0	0	0	0	0
Advances-In	0	0	0	0	0	0
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfers-Out	0	0	0	0	0	0
Advances-Out	0	0	0	0	0	0
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	0	0	0	275,000	275,000	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	63,290	73,662	10,372	(351,489)	126,154	459,627
Beginning Fund Balance	138,721	138,721	0	797,903	797,903	0
Prior Year Carry Over Encumbrances	0	0	0	82,484	82,484	0
Ending Fund Balance	\$ 202,011	\$ 212,383	\$ 10,372	\$ 528,898	\$ 1,006,541	\$ 459,627

(Continued)

Geneva Area City School District
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual (Non-GAAP Basis)
All Governmental Fund Types and Expendable Trust Funds - Continued
Year Ended June 30, 2002

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	5,891,002	5,891,002	\$ 0
Tuition	0	0	0	923,201	924,940	1,739
Earnings on Investment	739	743	4	274,525	273,634	(891)
Extracurricular Activities	0	0	0	128,018	128,018	0
Miscellaneous	5	5	0	27,281	27,950	669
State Unrestricted Grants-in-Aid	0	0	0	11,536,932	11,622,534	85,602
State Restricted Grants-in-Aid	0	0	0	683,426	687,366	3,940
Federal Unrestricted Grants-in-aid	0	0	0	103,051	103,051	0
Federal Restricted Grants-in-Aid	0	0	0	726,469	671,590	(54,879)
Total Revenue	744	748	4	20,293,905	20,330,085	36,180
Expenditures:						
Regular Instruction	5,009	3,885	1,124	9,513,859	8,863,365	650,494
Special Instruction	0	0	0	2,186,387	1,874,910	311,477
Vocational Instruction	0	0	0	334,860	307,962	26,898
Other Instruction	0	0	0	751,649	805,701	(54,052)
Support Services-Pupils	0	0	0	1,750,565	1,517,868	232,697
Support Services-Instructional Staff	0	0	0	619,297	541,057	78,240
Support Services-Board of Education	0	0	0	21,810	11,680	10,130
Support Services-Administration	0	0	0	1,798,868	1,365,980	432,888
Support Services-Fiscal Services	0	0	0	381,294	355,075	26,219
Support Services-Business	0	0	0	45,000	42,895	2,105
Operation & Maintenance-Plant	0	0	0	1,842,736	1,613,622	229,114
Support Services-Transportation	0	0	0	1,514,596	1,371,014	143,582
Support Services-Central	0	0	0	4,500	2,984	1,516
Food Services	0	0	0	61,816	38,146	23,670
Community Services	0	0	0	149,994	133,223	16,771
Academic & Subject Oriented	0	0	0	92,480	75,953	16,527
Occupation Oriented Activities	0	0	0	11,791	5,722	6,069
Sports Oriented	0	0	0	440,359	418,359	22,000
Co-Curricular Activities	0	0	0	54,025	36,229	17,796
Site Improvement	0	0	0	71,906	57,215	14,691
Building Improvement	0	0	0	488,023	103,909	384,114
Debt Service:						
Payment of Principal	0	0	0	375,000	375,000	0
Payment of Interest	0	0	0	72,374	62,135	10,239
Total Expenditures	5,009	3,885	1,124	22,583,189	19,980,004	2,603,185
Excess of Revenue Over (Under) Expenditures	(4,265)	(3,137)	1,128	(2,289,284)	350,081	2,639,365
Other Financing Sources (Uses):						
Sale & Loss of Assets	0	0	0	32,489	32,489	0
Proceeds from Sale of Notes	0	0	0	275,000	275,000	0
Transfers-In	0	0	0	39,029	37,418	(1,611)
Advances-In	0	0	0	8,292	8,292	0
Refund of Prior Years Expenditures	0	0	0	26,223	26,223	0
Transfers-Out	0	0	0	(150,000)	(147,462)	2,538
Advances-Out	0	0	0	(15,000)	(8,198)	6,802
Refund of Prior Years Receipts	0	0	0	(20,000)	0	20,000
Total Other Sources (Uses)	0	0	0	196,033	223,762	27,729
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,265)	(3,137)	1,128	(2,093,304)	573,790	2,667,094
Beginning Fund Balance	19,988	19,988	0	5,265,235	5,265,235	0
Prior Year Carry Over Encumbrances	1,259	1,259	0	685,040	685,040	0
Ending Fund Balance	\$ 16,982	\$ 18,110	\$ 1,128	\$ 3,856,971	\$ 6,524,065	\$ 2,667,094

See Accompanying Notes to the General Purpose Financial Statements.

Geneva Area City School District
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings
and Fund Balances

All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Operating Revenues:				
Food Service	\$ 525,799	0	0	\$ 525,799
Classroom Materials & Fees	6,733	0	0	6,733
Earnings on Investments	0	0	1,270	1,270
Miscellaneous	0	378	0	378
Total Operating Revenue	532,532	378	1,270	534,180
Operating Expenses:				
Personal Services	377,435	0	0	377,435
Employee Benefits	262,361	0	0	262,361
Purchased Services	8,736	0	0	8,736
Supplies and Materials	507,567	246	0	507,813
Other Expenses	92	0	1,655	1,747
Depreciation	15,291	0	0	15,291
Total Operating Expenses	1,171,482	246	1,655	1,173,383
Operating Income (Loss)	(638,950)	132	(385)	(639,203)
Non-Operating Revenues:				
State Unrestricted Grants-In-Aid	20,251	0	0	20,251
Federal Unrestricted Grants-in-Aid	348,820	0	0	348,820
Federal Restricted Grants-in-Aid	113,797	0	0	113,797
Total Non-Operating Revenues	482,868	0	0	482,868
Net Income (Loss) Before Operating Transfers	(156,082)	132	(385)	(156,335)
Transfers-In	110,044	0	0	110,044
Total Transfers	110,044	0	0	110,044
Net Income(Loss)	(46,038)	132	(385)	(46,291)
Beginning Retained Earnings/Fund Balance, as restated	24,336	1,108	34,055	59,499
Contributed Capital	82,765	0	0	82,765
Retained Earnings/Fund Balance at End of Year	\$ (21,702)	1,240	33,670	\$ 13,208

See Accompanying Notes to the General Purpose Financial Statements

Geneva Area City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
Year Ended June 30, 2002

	Proprietary Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Gain (Loss)	\$ (638,950)	132	(385)	\$ (639,203)
Adjustment to Reconcile Operating Gain (Loss)				
To Net Cash used in Operating Activities:				
Federal Commodities	113,797	0	0	113,797
Depreciation	15,291	0	0	15,291
Net (Increase) Decrease in Assets:				
Accounts Receivable	300	0	0	300
Inventory	5,176	0	0	5,176
Net Increases (Decreases) in Liabilities:				
Interfund Payable	(95)	0	0	(95)
Intergovernmental Payable	25,782	0	0	25,782
Deferred Revenue	(16,024)	0	0	(16,024)
Accrued Wages and Benefits	13,763	0	0	13,763
Compensated Absences	1,654	0	0	1,654
Total Adjustments	159,644	0	0	159,644
Net Cash Used in Operating Activities	(479,306)	132	(385)	(479,559)
Cash Flows from Noncapital Activities:				
Transfers from Other Funds	110,044	0	0	110,044
Grants from State Sources	20,251	0	0	20,251
Grants from Federal Sources	348,820	0	0	348,820
Net Cash Provided by Noncapital Financing Sources	479,115	0	0	479,115
Net Increase/Decrease in Cash & Cash Equivalents	(191)	132	(385)	(444)
Cash and Cash Equivalents at Beginning of Year	191	1,108	34,055	35,354
Cash and Cash Equivalents at End of Year	\$ 0	1,240	33,670	\$ 34,910

See Accompanying Notes to General Purpose Financial Statements.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002**

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The District is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the District.

Average daily membership (ADM) as of October 1, 2001, was 3,057. The District employed 190 certified employees and 122 non-certificated employees.

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

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, in that the financial statements include all organizations, activities and functions for which the District is financially accountable. This report includes all activities considered by management to be part of the District by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

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

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

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The District issued \$275,000 in general obligation bonds in April, 2002, and \$990,000 of general obligation bonds in May, 1997. The debt was issued for the purpose of the construction of a new library, as approved by the electorate in May 1995. Although the debt is issued on behalf of the Library, the bonds constitute indebtedness of the District and are considered in determining the District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the District, and the District pays the interest and retires the debt.

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

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

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

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

B. Fund Accounting

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

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

Fiduciary Fund Types

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

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

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

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

Account Groups

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

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements as well as relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year. The available period for the District is sixty days after fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to the accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes available for advance, interest, tuition, student fees, rentals and grants.

The District reports deferred revenues on its combined balance sheet that arise when revenue does not meet both the measurable and available criteria recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2002, that are intended to finance fiscal year 2003 operations, and delinquent property taxes, whose availability is indeterminable have been recorded as deferred revenue.

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

The proprietary fund type and nonexpendable trust funds utilize the full accrual basis of accounting for reporting purposes. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as non-operating revenue.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

D. Budget and Budgetary Accounting

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

The major differences between the budget basis of accounting and 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) Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis);
- d) Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis); and
- e) Short-term note debt is paid from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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

Encumbrances - As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the general purpose financial statements for proprietary funds. There were no encumbrances for proprietary funds for the year ended June 30, 2002.

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

E. Cash and Investments

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest is not allocated to the Food Service Enterprise Fund due to immateriality.

For the District, all investment earnings accrue to the General Fund, Special Revenue Funds, Capital Projects Funds, Auxiliary Service Funds, Expendable Trust Fund, and Non-Expendable Trust Fund as authorized by board resolution. Interest income earned in fiscal year 2002 totaled \$265,489. Interest revenue credited to the General Fund during the fiscal year amounted to \$225,899; Special Revenue Funds, \$1,269; Capital Projects Funds, \$36,308; Expendable Trust Fund, \$743; and Non-Expendable Trust Fund, \$1,270.

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

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A fund balance reserve has also been established.

G. Taxes Receivable

The financial statements reflect taxes receivable as of June 30, 2002. GAAP permits the recognition of revenue from any property tax assessment in the fiscal period levied, provided the funds are "available." "Available" means then due, or past due and receivable within the current period or expected to be collected soon thereafter. While these taxes have been assessed, the majority are not due at June 30, 2002 and accordingly have been recorded as deferred revenue in the accompanying financial statements. Taxes that become delinquent remain recorded in deferred revenue until they are determined to be uncollectible.

H. Inventories

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recognized under the nonallocation method. The nonallocation method of prepayments and deferrals is consistent with the basic governmental concept that only expendable financial resources are reported by a specific governmental fund. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

J. Fixed Assets

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

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

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

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "Due from other funds" or "Due to other funds." Short-term interfund loans are classified as "Interfund receivables/payables. At June 30, 2002, the District had no "Due to/Due from other funds" and \$7,002 in "Interfund Receivables/Payables." The "Advances-in" do not equal the "Advances-out" on the Budget vs Actual Statements due to activity in the Enterprise and Internal Service Funds.

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2002 the District had no long-term interfund loans.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

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

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

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

N. Accrued Liabilities and Long-Term Obligations

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

O. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. At June 30, 2002, the District had \$82,765 in contributed capital.

P. Long-Term Obligations

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

Q. Interfund Transactions

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

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

R. Fund Balance Reserves

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 1. Summary of Significant Accounting Policies (continued)

S. Estimates

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

T. Memorandum Only - Total Columns

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

Note 2. Budgetary Basis of Accounting

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

	Governmental Fund Type				Fiduciary Fund Type
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 462,645	4,985	72,997	159,063	\$ (2,637)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	123,331	(487)	665	2,391	0
Due to Expenditures:					
Net Adjustments to Expenditures	(157,439)	(59,486)	0	(35,300)	(500)
Due to Other Sources/Uses	334	3,228	0	0	0
Budget Basis	\$ 428,871	(51,760)	73,662	126,154	\$ (3,137)

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 3 . Cash and Investments

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

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

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

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

Monies held by the District which are not considered active are classified as interim. Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the District;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 3. Cash and Investments (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the District lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value; and
9. 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.

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.

Deposits At fiscal year end, the carrying amount of the District's deposits was \$6,719,268 and the bank balance was \$6,850,282, of which \$479,098 was covered by Federal Depository Insurance and \$6,371,184 was uninsured, but collateralized with securities held by the pledging financial institution in the pledging institution's name. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments GASB Statement No. 3, entitled *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements* requires the District to disclose the carrying amounts and market value of investments classified by risk. Category 1 includes investments that are insured or registered or for which the securities are held in the counter party's trust department or agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 3. Cash and Investments (continued)

	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreement			\$ 370,000	370,000	\$ 370,000
Total Investments			<u>\$ 370,000</u>	<u>370,000</u>	<u>\$ 370,000</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 entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 7,091,343	\$ 0
Investments:		
Repurchase Agreement	(370,000)	370,000
Total	<u>6,721,343</u>	<u>370,000</u>
Cash on Hand	(2,075)	0
GASB Statement No. 3	<u>\$ 6,719,268</u>	<u>\$ 370,000</u>

Note 4. Property Tax

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the Ashtabula County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation for the District was completed in 2002, an update will be done in 2005. The next revaluation is scheduled for 2008.

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 4. Property Tax (continued)

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

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

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, are reflected as a reservation of fund balance. The District is prohibited by law from appropriating the property taxes recognized as revenue in accordance with Ohio Revised Code Section 5705.35 since an advance of tax revenue was not received by the end of the fiscal year. At June 30, 2002, taxes available for advance were: General Fund, \$2,087,303; Debt Service, \$31,755; and Capital Projects, \$97,550.

The full tax rate at the fiscal year ended June 30, 2002, for operations was \$45.39 per \$1,000 of assessed valuation. Additionally, the full tax rates for Permanent Improvements and Debt Retirement were \$.85 and \$.74 per \$1,000 of assessed valuation, respectively. The assessed values of real and tangible personal property on which the fiscal year 2002 taxes were collected were as follows:

Real Property-Commercial/Industrial	\$ 32,965,240
Real Property-Residential/Agricultural	175,887,870
Real Property-Public Utilities	93,620
Personal Property-General	17,990,250
Personal Property-Public Utilities	<u>17,397,610</u>
Total Assessed Value	<u>\$ 244,334,590</u>

Note 5. Receivables

Receivables at June 30, 2002, consisted of taxes, accounts (miscellaneous), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current guarantee of Federal funds.

A summary of the principal items of Intergovernmental Receivables follows:

General Fund:	
Tax Rollbacks	\$ 1,445
Total General Fund	<u>1,445</u>
Debt Service Funds:	
Tax Rollbacks	53
Total Debt Service Fund	<u>53</u>

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 5. Receivables (continued)

Special Revenue Funds:	
CAFS Reimbursement	22,151
Title VI-b Grant	14,283
Total Special Revenue Fund	36,434
Capital Projects Funds:	
Tax Rollbacks	53
Total Capital Projects Funds	53
Grand Total	\$ 37,985

Note 6. Fixed Assets

Restatement of Enterprise Fixed Assets:

For the 2001 fiscal year, the District reported \$13,546 of equipment in the General Fixed Assets Account Group rather than as contributed capital in the Enterprise Fund. Further, the District identified additional assets and disposals which, together with the error in reporting contributed capital, required the June 30, 2001, balances and retained earnings to be restated.

Property, Plant and Equipment, as previously reported	\$ 406,380
Adjustment for additional assets and disposals	(32,698)
Restated Property, Plant and Equipment at June 30, 2001	\$ 373,682
Accumulated Depreciation, as previously reported	\$ 249,511
Adjustment for additional assets and disposals	(53,631)
Restated Accumulated Depreciation at June 30, 2001	\$ 195,880
Retained Earnings, as previously reported	\$ 19,570
Adjustment for additional assets and disposals	4,766
Restated Retained Earnings at June 30, 2001	\$ 24,336

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 6. Fixed Assets (continued)

The following is a summary of the proprietary funds property, plant and equipment at June 30, 2002:

Enterprise Fund	
Furniture and Equipment	\$ 388,252
Less Accumulated Depreciation	<u>(211,171)</u>
Net Fixed Assets	<u><u>\$ 177,081</u></u>

Restatement of General Fixed Assets Account Group:

For the 2001 fiscal year, the District reported \$13,546 of equipment in the General Fixed Assets Account Group rather than as contributed capital in the Enterprise Fund. Therefore, the following adjustment to the July 1, 2001, beginning balance was necessary:

	General Fixed Assets June 30, 2001	Adjustment	Restated General Fixed Assets June 30, 2001
Land & Land Improvements	\$ 521,576	0	\$ 521,576
Buildings & Bldg. Improvements	4,803,307	0	4,803,307
Furniture, Fixtures & Equipment	5,329,576	(13,546)	5,316,030
Vehicles	1,747,623	0	1,747,623
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>
Total General Fixed Assets	<u><u>\$ 12,402,082</u></u>	<u><u>(13,546)</u></u>	<u><u>\$ 12,388,536</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2002:

	General Fixed Assets June 30, 2001	Additions	Deletions	General Fixed Assets June 30, 2002
Land & Land Improvements	\$ 521,576	0	0	\$ 521,576
Buildings & Bldg. Improvements	4,803,307	64,706	0	4,868,013
Furniture, Fixtures & Equipment	5,316,030	267,437	220,931	5,362,536
Vehicles	1,747,623	362,426	196,761	1,913,288
Construction in Progress	<u>0</u>	<u>13,250</u>	<u>0</u>	<u>13,250</u>
Total General Fixed Assets	<u><u>\$ 12,388,536</u></u>	<u><u>707,819</u></u>	<u><u>417,692</u></u>	<u><u>\$ 12,678,663</u></u>

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 7. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$329,520, \$254,100 and \$244,812, respectively; 45.83 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. \$194,733 representing the unpaid contribution for fiscal year 2002, including the surcharge, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2002, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$1,317,888, \$1,248,421 and \$1,116,096, respectively; 83.33 percent has been contributed for fiscal year 2002, and 100 percent for fiscal years 2001 and 2000. \$219,646 representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$423,607 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent for fiscal year 2002. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$230,980.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants receiving health care benefits.

Note 9. Compensated Absences

Vacation Leave:

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (11 and 12 month) are eligible for vacation time. The number of days granted is determined upon length of service. For fiscal year 2002, the superintendent was granted twenty days of vacation and the treasurer was

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 9. Compensated Absences (continued)

granted ten days of vacation. Administrators may accrue vacation leave up to a maximum of three years prior to using the vacation leave days.

Classified employees earn ten to twenty days of vacation per year, depending upon length of service (with a year defined as at least 120 days). Classified employees may accrue vacation up to a maximum of two years prior to using the vacation leave days. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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

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

Sick Leave/Severance Pay:

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

Retirement pay will be paid to an employee who retires on the basis of one-fourth (1/4) of the employee's total available sick leave days up to 200 days at the daily rate at the time of retirement, up to 50 days plus seventeen percent (17%) of all days accumulated between 201-300 days, with the maximum number of retirement pay days at 67. Retirement pay shall be paid in two equal installments in each of the next two Januarys following retirement.

Certified Retirement Incentive Program:

\$5,000 shall be granted to the ten (10) most senior bargaining unit members who are eligible and retire under guidelines of the State Teachers Retirement System and who notify the Board of Education by February 1 of the year in which they retire. The incentive is payable after January 1 of the year following retirement.

Note 10. Risk Management

A. General Risk

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

Professional liability insurance is maintained in the amount of \$1,000,000 for single occurrence and \$5,000,000 in the aggregate and excess liability in the amounts of \$2,000,000 each single occurrence and \$2,000,000 in the aggregate. The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss. The District maintains replacement cost insurance on buildings and contents in the amount of \$34,210,627.

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

Note 10. Risk Management (continued)

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

B. Workers' Compensation

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

C. Health Insurance

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

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

Note 11. Notes and Long-Term Debt

A. Notes Payable: The District's Bond Anticipation Note of \$325,000 matured April 25, 2002, with an interest payment of \$11,570.

B. Long-Term Debt: A summary of changes in debt obligations for the year ended June 30, 2002, are as follows:

	Balance				
	July 1, 2001	Additions	Deletions	Balance	
				June 30, 2002	
Intergovernmental Payable	\$ 120,005	122,644	120,005	\$	122,644
Bonds Payable	840,000	275,000	50,000		1,065,000
Compensated Absences Payable	1,480,276	1,664,339	1,480,276		1,664,339
	<u>\$ 2,440,281</u>	<u>2,061,983</u>	<u>1,650,281</u>	<u>\$</u>	<u>2,851,983</u>

The Ohio Revised Code (ORC) provides that the net debt of a school district, whether or not approved by the people, shall not exceed 9.0% of the total value of all property in the District as listed and assessed for taxation. In addition, the unvoted net debt of a school district cannot exceed .1% of the total assessed value of property. The District has no unvoted debt. The District's unvoted debt limit is \$244,335. The voted debt limit at June 30, 2002 is \$21,990,113.

Bonds Payable: As discussed in Note 1 to the General Purpose Financial Statements, the District issued General Obligation bonds, on behalf of the Library, in the amount of \$990,000 on May 1, 1997 and \$275,000 on April 24, 2002. The 1997 bonds mature in December 2016 and have an average interest rate of 5.8%. The 2002 bonds mature in 2007 and have an average interest rate of 3.95%.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

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

The annual maturities of the general obligation bonds as of June 30, 2002, and related interest payments are as follows:

	Principal	Interest	Payment
FY2003	\$ 100,000	59,906	\$ 159,906
FY2004	100,000	54,102	154,102
FY2005	100,000	49,352	149,352
FY2006	100,000	44,552	144,552
FY2007 and thereafter	665,000	211,301	876,301
	<u>\$ 1,065,000</u>	<u>419,213</u>	<u>\$ 1,484,213</u>

Note 12. Interfund Transactions

At June 30, 2002, the District had short-term interfund loans which are classified as "Interfund Receivables/Payables." Receivables and payables resulting from goods provided or services rendered are classified as "Due from/to other funds." An analysis of interfund balances is as follows:

Interfund Receivables/Interfund Payables:

	Receivables	Payables
General Fund	\$ 7,002	\$ 0
Enterprise Fund	0	7,002
	<u>\$ 7,002</u>	<u>\$ 7,002</u>

**GENEVA AREA CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 13. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2002, are as follows:

	Lunchroom Fund	Uniform School Supply Fund	Total
Operating Revenues	\$ 525,799	6,733	\$ 532,532
Operating Expenses:			
Depreciation	(15,291)	0	(15,291)
Other Expenses	(1,149,362)	(6,829)	(1,156,191)
Total Operating Expenses	<u>(1,164,653)</u>	<u>(6,829)</u>	<u>(1,171,482)</u>
Operating Loss	(638,854)	(96)	(638,950)
Non-Operating Revenues and Expenses:			
State Grants	20,251	0	20,251
Federal Grants	348,820	0	348,820
Federal Commodities	113,797	0	113,797
Transfers from Other Funds	110,044	0	110,044
Net Loss	<u>\$ (45,942)</u>	<u>(96)</u>	<u>\$ (46,038)</u>
Net Working Capital	<u>\$ (109,016)</u>	<u>(7,002)</u>	<u>\$ (116,018)</u>
Total Assets	<u>\$ 195,044</u>	<u>0</u>	<u>\$ 195,044</u>
Total Fund Equity	<u>\$ 68,065</u>	<u>(7,002)</u>	<u>\$ 61,063</u>

Note 14. Jointly Governed Organizations and Public Entity Risk Pools

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

Superintendents of the participating school districts are eligible to be voting members of the Governing Board which consists of ten members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County districts, and a treasurer from each county. The District was represented on the Governing Board during fiscal year 2002. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. A complete set of separate financial statements may be obtained from the Trumbull County Educational Service Center, 347 North Park Avenue, Warren, Ohio, 44481.

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 14. Jointly Governed Organizations and Public Entity Risk Pools (continued)

Ashtabula County Schools Council of Governments:

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

Ashtabula County Joint Vocational School District:

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

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

Note 15. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

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

Note 16. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...".

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 17. Statutory Reserves

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

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

During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/2001	\$ 0	0	358,077	\$ 358,077
Required Set Aside	383,047	383,047	0	766,094
Offset Credits	0	0	0	0
Qualifying Expenditures	(383,047)	(383,047)	0	(766,094)
Balance, 6/30/2002	<u>\$ 0</u>	<u>0</u>	<u>358,077</u>	<u>\$ 358,077</u>
Cash Balance Carried Forward to FY 2003	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 358,077</u>	<u>\$ 358,077</u>
Restricted Assets				<u>\$ 358,077</u>

The District is entitled to show qualifying disbursements over set-aside requirements to reduce future set-aside amounts. However, the District has elected not to do so.

Note 18. Ohio Schools Council

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

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2002
(Continued)**

Note 19. Fund Deficits

Fund Deficits:

Fund Balances and Retained Earnings at June 30, 2002, included the following individual fund deficits:

<u>Special Revenue Funds</u>	
Career Development Grant	\$ (7)
EMIS Grant	\$ (37)
<u>Capital Projects Funds</u>	
Library Building Fund	\$ (29,816)
<u>Enterprise Funds</u>	
Uniform School Supplies	\$ (7,002)

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

Note 20. Restatement of Fund Balances/Retained Earnings

Enterprise Fund: As discussed in Note 6, retained earnings in the Enterprise Fund were restated for June 30, 2001, from \$19,750 to \$24,336, to include the addition of contributed capital previously reported in the general fixed assets account group and the identification of additional assets and disposals.

Capital Projects Fund: In the General Purpose Financial Statements for the period ending June 30, 2001, the \$325,000 proceeds from the sale of notes necessary to retire the maturing notes were not included as an other financing source on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, to correct this oversight the June 30, 2001, balance has been restated from \$750,314 to \$1,075,314 to include these proceeds.

Note 21. Legal Compliance

The District was in non-compliance with Ohio Revised Code § 5705.41 (B) and (D) that requires expenditures to be equal to or below the appropriations as set by the Board at the legal level of control. The General, Enterprise and DPIA funds all had expenditures that exceeded appropriations at the legal level of control.

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GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through The Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program	N/A	10.550	-	\$97,773	-	\$94,178
School Breakfast Program	05-PU-01 05-PU-02	10.553	\$5,092 29,523	-	\$5,092 29,523	-
Subtotal – School Breakfast Program			34,615	-	34,615	-
National School Lunch Program	LL-P4-01 LL-P4-02	10.555	37,759 276,446	-	37,759 276,446	-
Subtotal – School National School Lunch Program			314,205	-	314,205	-
Total U.S. Department of Agriculture □ Nutrition Cluster			348,820	97,773	348,820	94,178
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through The Ohio Department of Education:</i>						
Grants to Local Educational Agencies Title I School Subsidy	C1-S1 01 C1-S1 01C C1-S1 02	84.010	(41,584) 45,114 345,025	-	63,240 45,114 268,778	-
Total □ Title I School Subsidy			348,555	-	377,132	-
<i>Special Education Cluster:</i>						
Special Education Grants to States Title VI-B Handicapped Flowthrough	6B-EC-01 P 6B-SF 02 P	84.027	-	-	43,829 150,872	-
Subtotal □ Title VI-B Handicapped Flowthrough			208,924	-	194,701	-
Special Education - Preschool Grant	PG-S1 00 P PG-S1 02 P	84.173	-	-	230 10,501	-
Subtotal □ Preschool Grant			12,121	-	10,731	-
Total □ Special Education Cluster			221,045	-	205,432	-
Eisenhower Professional Development State Grant Math and Science □ Subsidy	MS-S1 00 MS-S1 01 MS-S1 02	84.281	(306) 1,456 16,280	-	3,881 11,926 391	-
Total □ Math and Science Subsidy			17,430	-	16,198	-
Safe and Drug Free School and Communities Drug Free Education □ Subsidy	DR-S1 01 DR-S1 02	84.186	-	-	123 12,395	-
Total □ Drug Free Education Subsidy			13,203	-	12,518	-
Innovative Education Program Strategies Chapter 2 □ Subsidy	CS-S1 99 CS-S1 01 CS-S1 02	84.298	-	-	180 134 16,261	-
Total □ Chapter 2 Subsidy			17,399	-	16,575	-
Class Size Reduction Subsidy	CR-S1-00 CR-S1-01 CR-S1-02	84.340	-	-	11,089 15,100 34,729	-
Total □ Class Size Reduction Subsidy			53,275	-	60,918	-
Goals 2000 Subsidy	G2-S1-01P	84.276	890	-	737	-
Total □ U.S. Department of Education			671,797	-	689,510	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed Through The Ohio Department of Human Services/ Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
<i>Medicaid Cluster:</i>						
Medical Assistance Program - CAFS	FY01	93.778	103,051	-	61,254	-
Totals			\$1,123,668	\$97,773	\$1,099,584	\$94,178

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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

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, 2002, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To The Board of Education:

We have audited the financial statements of Geneva Area City School District, Ashtabula County, (the District) as of and for the year ended June 30 2002, and have issued our report thereon dated March 18, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Geneva Area City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-11104-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 18, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Geneva Area City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as 2002-11104-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 18, 2003.

This report is intended 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.



Betty Montgomery
Auditor of State

March 18, 2003



**Auditor of State
Betty Montgomery**

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

Geneva Area City School District
Ashtabula County
135 South Eagle Street
Geneva, Ohio 44041

To The Board of Education:

Compliance

We have audited the compliance of Geneva Area City School District, Ashtabula County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. Geneva Area City School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Geneva Area City School District's management. Our responsibility is to express an opinion on Geneva Area City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Geneva Area City School 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 Geneva Area City School District's compliance with those requirements.

In our opinion, Geneva Area City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of Geneva Area City School 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 Geneva Area City School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of the management, 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.



Betty Montgomery
Auditor of State

March 18, 2003

GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2002

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

1. SUMMARY OF AUDITOR'S RESULTS

(d)(i)	Type of Financial Statement opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster CFDA: 10.550,10.551 & 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

**GENEVA AREA CITY SCHOOL DISTRICT
ASHTABULA COUNTY
JUNE 30, 2002**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

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

FINDING NUMBER 2002-11104-01

Ohio Rev. Code § 5705.41(D) requires that encumbrances be charged against proper appropriations. **Ohio Rev. Code § 5705.41(B)** prohibits the District from making expenditures unless they have been properly appropriated. In addition, Auditor of State Bulletin 97-010 requires that budgetary compliance be tested to the legal level of control maintained by the District. In FY 2002, the legal level of control for the District was the object level. The following line items were found to have expenditures plus encumbrances exceed appropriations, contrary to the above sections:

Fund/ Function/Object	Total Appropriations	Expenditures + Encumbrances	Variance
General Fund:			
Other Instruction			
Purchase Services	746,967	801,820	(54,853)
Support Services-Pupils			
Salaries & Wages	621,700	649,566	(27,866)
Purchase Services	124,050	161,764	(37,714)
Support Services-Fiscal			
Salaries & Wages	136,000	144,558	(8,578)
Enterprise Fund:			
Food Service Operation			
Salaries & Wages	361,000	377,949	(16,949)
Special Revenue:			
DPIA Fund:			
Support Services- Pupils			
Capital Outlay	0	6,788	(6,788)
Capital Outlay Replac.	0	58,519	(58,519)

In that the District prepares its appropriations to the Fund/Function/Object level, expenditures that exceed line item appropriations could result in monies not being available to pay an obligation incurred within the Fund making that obligation. The District should monitor throughout the year the budgetary legal level of control to determine that a favorable variance is being maintained, and if need be, make Board approved adjustments to correct line items that might require such action to maintain that variance.

FINDING NUMBER 2002-11104-02

Fixed Asset Management

The District's appraisal from an outside firm contains a detailed listing of individual assets capitalized. The personnel assigned to track this function should enter this data to the District's fixed asset accounting system in order to permit updates to be inputted and tracked.

The failure to enter detailed information to the District's system results in the inability to update records for subsequent additions and disposals.

The District should establish a system in which items meeting the capitalization policy are identified at the time the requisition or expenditure is processed. Information should then be inputted to the fixed asset system on a timely basis, perhaps monthly. Monitoring expenditures during the course of the year for additions, rather than at year end, will permit the District to maintain asset information in a more efficient manner, and aid in identifying errors in expenditures coding at the time the transaction is initiated. The District should take an annual inventory of equipment to verify the accuracy of information recorded to the system. Deletions also should be removed from the system on a timely manner, either at the time of salvage, trade in or selling point, with a record of said transaction being maintained for audit.

3. FINDINGS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GENEVA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 17, 2003**