

Certified Public Accountants • Strategic Business Advisors



weber · obrien Ltd.

GENOA AREA LOCAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

GENOA AREA LOCAL SCHOOL DISTRICT

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 1999

GENOA AREA LOCAL SCHOOL DISTRICT

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GENOA AREA LOCAL SCHOOL DISTRICT
 ELECTED OFFICIALS AND ADMINISTRATIVE PERSONNEL
 YEAR ENDED JUNE 30, 1999

Title Name	Term of Office or Contract Period	Surety	Amount
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BOARD OF EDUCATION

President:

John Harbal	1/1/98 to 12/31/98 and 1/1/99 to 12/31/99	(A)	\$20,000
		(A)	\$20,000

Other Members:

James Hamilton	1/23/99 to 12/31/99	(A)	\$20,000
George Cicak	1/1/98 to 12/31/01	(A)	\$20,000
John Harbal	1/1/98 to 12/31/01	(A)	\$20,000
Gary Moritz	1/1/98 to 12/31/01	(A)	\$20,000
Paul Henry	1/1/96 to 12/31/99	(A)	\$20,000

STATUTORY LEGAL COUNSEL

County Prosecuting Attorney:

Mark E. Mulligan
 62 Grande Lake Drive
 Port Clinton, OH 43452

RETAINED LEGAL COUNSEL

Spengler Nathanson, Esq.
 608 Madison Avenue, Suite 1000
 Toledo, OH 43604-1169

Baran, Piper, Tarkowsky,
 Fitzgerald & Theis
 1515 Fifth Third Center
 608 Madison Avenue
 Toledo, OH 43604

ADMINISTRATIVE PERSONNEL

Treasurer:

Michael Weis	1/1/99 to 12/31/02	(A)	\$20,000
2868 N. Scott Ct Genoa, OH 43430			

Superintendent:

Dennis Mock	8/1/97 to 7/31/01	(A)	\$20,000
2964 N. Huss Blvd. Genoa, OH 43430			

(A) Indiana Insurance Company

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
INDEX OF FUNDS
YEAR ENDED JUNE 30, 1999

GOVERNMENTAL FUND TYPE:

General Fund Type:

General Fund

Special Revenue Fund Type:

Public School Support Fund

Jennings Foundation Grant Fund

Janet Philips Memorial Fund

District Managed Student Activities Fund

Emergency Levy Fund

Disadvantaged Pupils Program Fund

Excellence in Education Fund

Education Management Information System Fund

Public School Preschool Grant Fund

DPLA Restricted Grants-in-Aid Fund

Northwest Ohio Regional Teacher Training Center Fund

Migrant Education Basic State Formula Grant Fund

Title VI-B - Education of The Handicapped Act Fund

Chapter 1 - Education and Consolidation Improvement Act of 1981

Chapter 2 - Education Consolidation and Improvement Act of 1981

Drug Free Grant Fund

Debt Service Fund Type:

Bond Retirement Fund

Capital Projects Fund Type:

Permanent Improvement Fund

School Net

PROPRIETARY FUND TYPE:

Enterprise Fund Type:

Food Service Fund

Uniform School Supplies Fund

Continuing Education Fund

Internal Service Fund Type:

Rotary Camp Trip Fund

FIDUCIARY FUND TYPE:

Trust Fund Type:

Expendable Trust Funds:

Junior High Flower Fund

High School Flower Fund

Agency Fund:

Student Activity Fund



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215

Telephone 614-466-4514
800-282-0370

Facsimile 614-728-7398

The Board of Education
Genoa Area Local School District
Clay Center, Oh 43509-0148

We have reviewed the Independent Auditor's Report of the Genoa Area Local School District, Ottawa County, prepared by Weber Obrien Ltd., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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



JIM PETRO
Auditor of State

January 14, 2000



INDEPENDENT AUDITORS' REPORT

Board of Education
Genoa Area Local School District
300 Susan Street
Clay Center, Ohio 43408-0148

We have audited the accompanying financial statements of Genoa Area Local School District, as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Genoa Area Local School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 30, 1999 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.

The information on page 33 regarding the Year 2000 Issue is not a required part of the financial statements but is supplemental information required by the Governmental Accounting Standards Board. However, we did not audit the information and express no opinion on it.

Weber • O'Brien LTD.

November 30, 1999

GENOA AREA LOCAL SCHOOL DISTRICT
 OTTAWA COUNTY
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 June 30, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES		FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligations	(Memorandum Only)
<u>Assets and Other Debits:</u>										
Assets:										
Equity in Pooled Cash and Investments	\$ 3,563,399	\$ (40,945)		\$ 169,715	\$ 44,098	\$ 739	\$ 14,896			\$ 3,751,902
Receivables:										
Taxes	2,945,208	589,845		237,084	8,037					3,772,087
Intergovernmental	1,102	194								9,333
Accounts	1,922									1,922
Interest	30,199									30,199
Prepaid Items	29,793									93,643
Materials and Supplies Inventory	23,801			63,850	615					24,416
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)								\$ 3,400,307		3,444,948
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	717,088									717,088
<u>Other Debits:</u>										
Amount to be Provided from General Government Resources									\$ 564,171	564,171
Total Assets and Other Debits	\$ 7,312,512	\$ 549,094	\$ 0-	\$ 470,599	\$ 97,391	\$ 739	\$ 14,896	\$ 3,400,307	\$ 564,171	\$ 12,409,709

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS, CONTINUED
June 30, 1999

	GOVERNMENTAL FUND TYPES				PROPRIETARY FUND TYPES			FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Obligations		
Liabilities:											
Accounts Payable	\$ 54,704	\$-0-		\$ 10,912							\$ 65,616
Accrued Wages and Benefits	707,718	13,714									721,432
Compensated Absences Payable	177,254								\$ 564,171		741,425
Deferred Revenue	2,528,856	476,852		202,138							3,207,846
Deposits							\$ 14,767				14,767
Total Liabilities	3,468,533	490,566		213,050			14,767		564,171		4,751,086
Fund Equity and Other Credits:											
Investment in General Fixed Assets											
Retained Earnings:											
Reserved for Encumbrances					744						744
Unreserved					96,647		739				97,386
Fund Balance:											
Reserved for Encumbrances	16,847	1,529		132,326							150,702
Reserved for Inventory	23,801										23,801
Reserved for Prepaid Items	29,793			63,850							93,643
Reserved for Budget Stabilization	717,088										717,088
Unreserved:											
Undesignated	3,056,450	56,999		61,373			129				3,174,951
Total Fund Equity and Other Credits	3,843,979	58,528		257,549	97,391	739	129	3,400,307		7,658,622	
Total Liabilities, Fund Equity and Other Credits	\$ 7,312,512	\$ 549,094	\$-0-	\$ 470,599	\$ 97,391	\$ 739	\$ 14,896	\$ 3,400,307	\$ 564,171	\$ 12,409,709	

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
REVENUES						
Local Sources:						
Taxes	\$ 3,069,221	\$ 591,045		\$ 252,755		\$ 3,913,021
Tuition	17,317					17,317
Earnings on Investments	264,879					264,879
Extracurricular Activities		235,241				235,241
Miscellaneous Receipts	938	11,331			\$ 70	12,339
State Sources:						
Unrestricted Grants-in-Aid	4,775,391			33,211		4,808,602
Restricted Grants-in-Aid		141,826		447,653		589,479
Federal Sources:						
Restricted Grants-in-Aid		167,911		28,598		196,509
TOTAL REVENUES	8,127,746	1,147,354		762,217	70	10,037,387
EXPENDITURES						
Instruction:						
Regular	3,982,567	689,000				4,671,567
Special and Vocational Education	536,052	127,962				664,014
Support Services:						
Pupils	136,679	30,953				167,632
Instructional Staff	126,523	37,842				164,365
Board of Education	21,501					21,501
Administration	833,318	31,520		10,912		875,750
Fiscal	240,669	1,690		4,701		247,060
Business	19,028					19,028
Operation and Maintenance - Plant	653,473	6,986		859,290		1,519,749
Pupil Transportation	243,307	11,923				255,230
Central	243,081	1,700			79	244,860

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
- ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS, CONTINUED
YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES				FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
EXPENDITURES, Continued						
Non-Instructional Services				26,757		26,757
Extracurricular Activities:						
Academic and Subject Oriented	42,252	14,266				56,518
Occupation Oriented		(441)				(441)
Sports Oriented	117,284	148,289				265,573
Co-curricular Activities		24,658				24,658
TOTAL EXPENDITURES	7,195,734	1,126,348		901,660	79	9,223,821
TOTAL REVENUES OVER (UNDER) EXPENDITURES	932,012	21,006		(139,443)	(9)	813,566
OTHER FINANCING SOURCES (USES)						
Sale and Loss of Assets	300					300
Transfers-in		6,507		9,060		15,567
Advances-in	393,700			259,234		652,934
Contributions and Donations		1,262				1,262
Transfers-out	(17,530)	(600)				(18,130)
Advances-out	(259,234)	(24,699)		(369,001)		(652,934)
TOTAL OTHER FINANCING SOURCES (USES)	117,236	(17,530)		(100,707)		(1,001)
TOTAL REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	1,049,248	3,476		(240,150)	(9)	812,565
FUND BALANCE AT BEGINNING OF YEAR	2,794,731	55,052		497,699	138	3,347,620
FUND BALANCE AT END OF YEAR	\$ 3,843,979	\$ 58,528	\$ -0-	\$ 257,549	\$ 129	\$ 4,160,185

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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GENOA AREA LOCAL SCHOOL DISTRICT
 OTTAWA COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGET BASES)
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
 YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES										EXPENDABLE TRUST FUNDS				Totals (Memorandum Only)				
	General					Special Revenue					Capital Projects				Variance Favorable (Unfavorable)		Variance Favorable (Unfavorable)		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
Revenues:																			
Taxes	\$3,150,000	\$3,140,379	\$ (9,621)	\$ 575,000	\$ 578,591	\$ 3,591	\$ 251,000	\$ 249,061	\$ (1,939)						\$3,976,000	\$ 3,968,031	\$ (7,969)		
Intergovernmental	4,775,000	4,775,391	391	310,181	335,721	25,540	730,000	492,481	(237,519)						5,615,181	5,603,593	(211,588)		
Interest	185,000	243,789	58,789												185,000	243,789	58,789		
Tuition and Fees	5,500	15,395	9,895												5,500	15,395	9,895		
Extracurricular Activities				240,000	235,241	(4,759)									240,000	235,241	(4,759)		
Miscellaneous	1,000	938	(62)	15,000	12,593	(2,407)									16,000	13,601	(2,399)		
Total Revenues	8,116,500	8,175,832	59,332	1,140,181	1,162,146	21,965	981,000	741,542	(239,458)						10,237,681	10,079,650	(158,031)		
Expenditures:																			
Current:																			
Instruction:																			
Regular	3,914,808	3,920,568	(5,760)	714,045	689,298	24,747									4,628,853	4,609,866	18,987		
Special and Vocational	575,350	528,229	47,121	112,405	127,962	(15,557)									687,755	656,191	31,564		
Other	600	538	62												600	538	62		
Support Services:																			
Pupils	144,000	142,264	1,736	37,532	30,953	6,579									181,532	173,217	8,315		
Instructional Staff	134,000	128,180	5,820	35,203	37,843	(2,640)									169,203	166,023	3,180		
Board of Education	10,000	13,652	(3,652)												10,000	13,652	(3,652)		
Administration	802,000	815,644	(13,644)	92,311	31,520	20,791	4,500	4,701	(201)						854,311	847,164	7,147		
Fiscal	171,350	234,497	(63,147)	1,690	1,690	0									177,540	240,888	(63,348)		
Business	20,000	19,028	972												20,000	19,028	972		
Operation and Maintenance of Plant	686,000	646,159	39,841	6,986	6,986	0	954,807	1,073,769	(118,962)						1,647,793	1,726,914	(79,121)		
Pupil Transportation	250,000	246,909	3,091	11,923	11,923	0									261,923	256,832	5,091		
Central	225,000	215,523	9,477	1,700	1,700	0									226,750	217,302	9,448		
Extracurricular Activities	156,000	194,535	(3,535)	165,773	188,171	(22,398)									321,773	347,708	(25,935)		
Non-Instructional Services				500	0	500	18,253	26,757	(8,504)						18,753	26,757	(8,004)		
Total Expenditures	7,089,108	7,070,726	18,382	1,140,068	1,128,046	12,022	977,560	1,105,227	(127,667)						9,206,786	9,304,078	(97,292)		
Excess of Revenues Over (Under) Expenditures	1,027,392	1,105,106	77,714	113	34,100	33,987	3,440	(363,685)	(367,125)						1,030,895	775,572	255,323		
Other Financing Sources (Uses):																			
Sale and Loss of Assets	0	300	300	0	600	600	0	9,060	9,060	0					0	300	300		
Operating Transfers In				0	600	600	0	0	9,060	0					0	9,660	(9,660)		
Advances In	0	393,700	393,700	500	500	(500)	0	259,234	259,234	0					500	652,934	(652,434)		
Operating Transfers Out	0	(11,623)	(11,623)	0	(600)	(600)	0	0	0	0					0	(12,223)	12,223		
Advances Out	(300,000)	(295,234)	40,766	0	(24,699)	(24,699)	0	(369,001)	(369,001)	0					(300,000)	(652,934)	352,934		
Total Other Financing Sources (Uses)	(300,000)	123,143	423,143	500	(24,699)	(25,199)	0	(100,707)	(100,707)	0					(299,500)	(2,263)	(296,937)		
Excess of Revenue and Other Financing Sources (Under) Expenditures and Other Financing Uses	727,392	1,228,309	500,917	613	9,401	8,788	3,440	(464,392)	(467,832)						731,395	773,309	(41,914)		
Fund Balances (Deficit) at Beginning of Year	2,960,561	2,960,561	0	(10,091)	(10,091)	0	141,547	141,547	0	138					3,092,155	3,092,155	0		
Prior Year Encumbrances Appropriated	50,499	50,499	(0)	7,287	7,287	0	334,979	334,979	0	392,765					392,765	392,765	0		
Fund Balances (Deficit) at End of Year	\$ 3,738,452	\$ 4,239,369	\$ 500,917	\$ (2,191)	\$ 6,597	\$ 8,788	\$ 479,966	\$ 12,134	\$ (467,832)	\$ 88					\$ 4,216,315	\$ 4,258,229	\$ (41,914)		

*SEE INDEPENDENT AUDITORS' REPORT

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS -
ALL PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUND TYPES		TOTALS
	Enterprise	Internal Service	(Memorandum Only)
OPERATING REVENUES			
Tuition	\$ 1,648		\$ 1,648
Food Services	321,952		321,952
Extracurricular Activities		\$ 19,696	19,696
Classroom Materials and Fees	70,211		70,211
Total Operating Revenues	393,811	19,696	413,507
OPERATING EXPENSES			
Personal Services - Salaries	160,842		160,842
Employees' Retirement and Insurance	54,946		54,946
Purchased Services	2,686	19,247	21,933
Supplies and Materials	232,414		232,414
Capital Outlay	1,505		1,505
Depreciation	5,473		5,473
Total Operating Expenses	457,866	19,247	477,113
OPERATING PROFIT (LOSS)	(64,055)	449	(63,606)
NONOPERATING REVENUES			
Earnings on Investments	1,656		1,656
State Sources:			
Unrestricted Grants-in-Aid	2,197		2,197
Federal Sources:			
Unrestricted Grants-in-Aid	60,466		60,466
Total Non-operating Revenues	64,319	-0-	64,319
TOTAL REVENUES OVER (UNDER) EXPENSES BEFORE INTERFUND TRANSFERS AND ADVANCES			
	264	449	713
Transfer-in	2,563		2,563
NET PROFIT	2,827	449	3,276
RETAINED EARNINGS AT BEGINNING OF YEAR			
	94,564	290	94,854
RETAINED EARNINGS AT END OF YEAR	\$ 97,391	\$ 739	\$ 98,130

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
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GENOA AREA LOCAL SCHOOL DISTRICT
 OTTAWA COUNTY
 COMBINED STATEMENT OF CASH FLOWS -
 ALL PROPRIETARY FUND TYPES
 YEAR ENDED JUNE 30, 1999

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	<u>Enterprise</u>
Net Income	\$ 2,827
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
Depreciation	5,473
Changes in Operating Assets and Liabilities that Increase (Decrease) Cash Flows:	
Accounts Receivable	547
Inventory	(615)
Fixed Assets	(7,027)
Compensated Absences Payable	(210)
Total Adjustments	<u>(1,832)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	995
EQUITY IN POOLED CASH AND INVESTMENTS AT BEGINNING OF YEAR	<u>43,103</u>
EQUITY IN POOLED CASH AND INVESTMENTS AT END OF YEAR	<u>\$ 44,098</u>

"SEE INDEPENDENT AUDITORS' REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL
PART OF THESE FINANCIAL STATEMENTS"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Entity

The Genoa Area Local School District (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 local school district as defined by Section 3311.03 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.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

Basis of Accounting

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are 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 enterprise 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. Enterprise funds operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds and agency funds. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, intergovernmental revenue, interest revenue, and charges for services.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue.

The enterprise and agency fund types are accounted for using the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable; expenses are recognized in the period incurred, if measurable. 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.

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.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

Debt Service Fund - Debt Service Funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long term debt of the proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

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

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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Enterprise Funds - Enterprise Funds account for operations:

a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the residents of the District on a continuing basis be financed or recovered primarily through user charges; or

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

Internal Service Funds - Internal Service Funds account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a cost-reimbursement basis.

Fiduciary Funds

Trust Funds - These Funds, which include Expendable Trust Funds, account for assets held by a governmental unit in a trustee capacity.

Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinances. The tax budget, certificate of estimated resources and appropriation ordinances are prepared on the budgetary basis as required by the County Budget Commission. Under the budgetary basis of accounting, revenues are recognized upon receipt and expenses are recorded as disbursed and outstanding year end encumbrances are treated as expenditures/expenses. This differs from the modified accrual and accrual bases of accounting.

Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The county budget commission certifies its actions to the District by April 1. As part of this certification, the District receives the official certificate of *estimated resources which states the projected receipts of each fund*. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The certificate of estimated resources is subject to amendment throughout the year with the legal restriction that all changes require action by the Board of Education.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 1998, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. On the modified accrual basis of accounting, encumbrances outstanding at year end are reported as a reservation of fund balance and retained earnings for subsequent year expenditures for governmental funds and enterprise funds, respectively.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Reservations

The District reserves portions of fund balances that are legally segregated for specific future uses or that do not represent available, spendable resources and therefore are not appropriable for expenditures. Undesignated fund balances are not reserved nor designated and are appropriable in future periods.

Cash and Investments

All cash received by the District is pooled in a central bank account. Cash balances of most district funds are pooled and invested. The investments of pooled cash, which are stated at cost which approximates market value, consist primarily of certificates of deposit at local banks and investments in the State Treasury Asset Reserve of Ohio (STAROhio). Individual fund integrity is maintained through the District's records.

Except for nonparticipating investment contracts, and investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. The District does not hold any investments as of June 30, 1999 that are required to be reported at fair value. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are recorded at cost or amortized cost.

The District has invested funds in STAROhio. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999.

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.

Inventories

Inventories are valued at cost (first in, first out) and consist of expendable supplies for student instruction. The costs of the governmental fund-type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs 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. All fixed assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are valued at their estimated fair value on the date received. The school district maintains a capitalization threshold of three hundred dollars.

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 life of the related fixed asset.

Public domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Depreciation in the proprietary fund and in the general fixed assets account group is computed using the straight-line method.

Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State superintendent of Public Instruction (See Note 16).

Compensated Absences

Vested or accumulated vacation leave is expected to be liquidated with expendable available financial resources and is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Government Accounting Standards Board No. 16, "Accounting for Compensated Absences", no liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Continued)

The General-Long Term Obligations Account Group and Proprietary Funds have a Service Retirement liability recognized for employees with over ten years in government service and are age 50 or over. The Service Retirement is based on employees' accrued but unused sick leave days and is paid at retirement based on 35% for certified and administrative staff and 26% for support staff, of the value of a 220 day maximum for certified and administrative staff and 210 day maximum for support staff.

A long-term liability has also been recognized in compensated absences for vested severance pay for those certified and administrative employees who become vested after five years of service and have the option to utilize the District's early retirement incentive plan. Upon early retirement, each vested employee receives an amount equal to \$400 per year of service, up to a maximum of 25 years of credited service, as determined by the State Teachers' Retirement System of Ohio.

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, pension obligations 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 available expendable financial resources. Bonds, capital leases and long-term loans are reported 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 fund.

Intergovernmental Revenue

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

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

NOTE 2 - POOLED CASH AND CASH EQUIVALENTS

Legal Requirements

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

Interim deposits are 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 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 money deposited with the institution.

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

1. Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payments of principal and interest;

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 2 - POOLED CASH AND CASH EQUIVALENTS (Continued)

Legal Requirements (Continued)

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency;
3. Repurchase agreements in the securities enumerated above, assuming certain conditions are met;
4. Interim deposits in the eligible institutions applying for interim money;
5. Bond and other obligations of the State of Ohio; and
6. The State Treasurer's investment pool (STAROhio).

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 year-end, the carrying amount of the Genoa Area Local School District's deposits was \$4,087,205 and the bank balance was \$4,237,595, respectively. The entire bank balance was covered by federal depository insurance, by collateral held by the District, or by collateral held by a qualified third party trustee in the name of the District.

Investments

The Genoa Area Local School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty'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 counterparty or by its trust

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 2 - POOLED CASH AND CASH EQUIVALENTS (Continued)

department or agent but not in the District's name. The Genoa Area Local School District's investment, which is in STAROhio, is not categorized or assigned a risk category because it is not evidenced by securities that exist in physical or book entry form.

	<u>Carrying Value</u>	<u>Market Value</u>
Funds on Deposit with STAR Ohio	<u>\$381,785</u>	<u>\$381,785</u>
Reconciliation to Balance Sheet:		
District's Deposits		\$4,087,205
Star Ohio		<u>381,785</u>
 Total Equity in Pooled Cash and Investments		 <u>\$4,468,990</u>
Classification in Balance Sheet:		
Unrestricted		\$3,751,902
Restricted		<u>717,088</u>
 Total Per Balance Sheet		 <u>\$4,468,990</u>

NOTE 3 - PROPERTY TAX

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last appraisal was completed for tax year 1994.

Real property taxes become a lien on all non-exempt real property located in the County on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due February 10 with the remainder payable by July of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the 1999 tax year was \$64.80 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$35.13 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$41.35 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 3 - PROPERTY TAX (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the 1999 tax year was \$64.80 per \$1,000 of assessed valuations.

Tangible Personal Property - 1999 Valuation	
General	\$ 7,709,331
Public Utilities	9,854,200
Real Property - 1999 Valuation	
Residential/Agricultural	87,367,050
Commercial/Industrial	10,184,940
Public Utilities	<u>105,340</u>
 Total Valuation	 <u>\$115,220,861</u>

The Ottawa County Treasurer collects property tax on behalf of all taxing districts within the county. The Ottawa County Auditor periodically remits to the taxing districts their portions of the taxes collected.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$598,000 and is recognized as revenue.

\$439,000 was available to the general fund, \$113,000 was available to the special revenue funds, and \$46,000 was available to the permanent improvement fund.

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 1999 consisted of taxes, interest, reimbursements and intergovernmental receivables arising from grants, entitlements and shared revenues. All receivables are considered collectible in full. A summary of the principal items of receivables follows:

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GENOA AREA LOCAL SCHOOL DISTRICT
 OTTAWA COUNTY
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 1999

NOTE 4 - ACCOUNTS RECEIVABLE, Continued

<u>Receivables</u>	<u>Amount</u>
<u>General Fund:</u>	
Taxes - Current	\$ 439,209
Taxes - Deferred	2,505,999
Interest	30,199
Reimbursements	1,922
Intergovernmental	1,102
 <u>Special Revenue Funds:</u>	
Taxes - Current	112,993
Taxes - Deferred	476,852
Intergovernmental	194
 <u>Capital Projects:</u>	
Taxes - Current	46,007
Taxes - Deferred	191,027
 <u>Enterprise:</u>	
Intergovernmental	8,037

NOTE 5 - FIXED ASSETS

The following is a summary of the general fixed assets account group activity during the fiscal year:

	General Fixed Assets 6/30/98	Additions	Retirements	General Fixed Assets 6/30/99
Land and Improvements	\$ 445,141	\$ -0-	\$ -0-	\$ 445,141
Buildings and Improvements	3,025,999	715,562	-0-	3,741,561
Furniture and Equipment	1,956,246	242,819	106,092	2,092,973
Books	425,762	-0-	-0-	425,762
Moving Vehicles	<u>1,098,418</u>	<u>50,854</u>	<u>40,560</u>	<u>1,108,712</u>
Total General Fixed Assets	6,951,566	1,009,235	146,652	7,814,149
Less: Accumulated Depreciation	(<u>4,211,130</u>)	(<u>260,708</u>)	(<u>57,996</u>)	(<u>4,413,842</u>)
Net General Fixed Assets	<u>\$2,740,436</u>	<u>\$748,527</u>	<u>\$ 88,656</u>	<u>\$3,400,307</u>

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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 5 - FIXED ASSETS, Continued

The following is a summary of proprietary fund-type fixed assets at June 30, 1999:

	<u>Food Service</u>
Machinery and Equipment	\$158,090
Less: Accumulated Depreciation	(<u>113,449</u>)
Net Fixed Assets	\$ <u>44,641</u>

The general fixed asset account group assets are depreciated using the straight-line method over estimated useful lives ranging from 3 years to 50 years. The proprietary fund type - fixed assets are depreciated using the straight-line method over a 20 year estimated useful life.

NOTE 6 - STATE TEACHERS RETIREMENT SYSTEM

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Prior to July 1, 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$603,000, \$539,000, and \$527,000, respectively. All required contributions were made to STRS before these respective year ends.

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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 7 - 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

The Genoa Area Local School District Board of Education provides an employee share pick-up for all employees covered under SERS equal to 9 percent of the employees' gross salary. The District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. For fiscal year 1999, 7.7 percent 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 amounts, by the SERS Retirement Board. Contribution rates are established by SERS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$252,000, \$236,000, and \$215,000, respectively. All required contributions were made to SERS before each respective year end.

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-certified 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 on a pay-as-you-go basis.

The State Teacher's Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care costs in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The Board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve fund from which payments for health care benefits are paid. For the School District, this amount equaled \$173,111 during the 1999 fiscal year.

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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 8 - POSTEMPLOYMENT BENEFITS, Continued

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll, an increase from 4.98 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, 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 125 percent of annual health care expenses. SERS health care expenses at June 30, 1998, were \$ 111,900,600 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$89,300 during the 1999 fiscal year.

The District provides compensation sick leave absences to its employees. At retirement and after five (5) years of full-time service, a portion of an employee's accumulated days of sick leave is payable upon written request as an additional retirement benefit. This benefit is calculated at the employee's daily base rate of pay at the time of retirement. For certified teachers, this benefit is calculated as 35% of the employee's accumulated days of sick leave (220 days maximum), or a maximum of 77 days retirement benefit.

For full-time, permanent non-certified employees, the benefit is calculated as 26% of the employee's accumulated days of sick leave (210 days maximum), or a maximum of 55 days retirement benefit.

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GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 9 - LEASE COMMITMENTS AND RENTAL EXPENSE

The District leases certain operating equipment under noncancelable operating leases.

The following is a schedule of the future minimum rental payments required under these operating leases that have an initial or remaining noncancelable lease term in excess of one year as of June 30, 1999:

Year Ending <u>June 30</u>	<u>Amount</u>
2000	\$19,800
2001	19,800
2002 and Thereafter	<u>-0-</u>
TOTAL	<u>\$39,600</u>

Total rent expense for the year ended June 30, 1999 was \$19,200.

NOTE 10 - LITIGATION

In the normal course of operations, the District may be subject to litigation and claims. While the outcome of such matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

On January 29, 1997, the District was named as a co-defendant in a civil suit seeking in excess of \$25,000 involving the death of two teachers in an auto accident while traveling to an in-service seminar. While it is management's opinion that the District is adequately insured for any potential loss resulting from these suits, the probable outcome of the suits or the effect on the District's financial position, if any, cannot presently be determined.

On December 22, 1997, the District was named as a co-defendant in a civil suit seeking in excess of \$25,000 involving the District's alleged failure to identify a student's alleged disability and provide the appropriate educational services. During the year ended June 30, 1999, this suit was settled for a minimal amount.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 11 - CONTINGENCIES

A. Grants

The School 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 School District at June 30, 1999.

B. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. For the fiscal year ended June 30, 1999, the School District received \$4,451,000 in school foundation support for its general fund, which is approximately 44% of total revenues.

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

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

NOTE 12 - ENTERPRISE SEGMENT INFORMATION

The enterprise fund type consists of the Food Service Fund, Uniform School Supplies Fund, and the Continuing Education Fund. The Food Service Fund comprises the

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 12 - ENTERPRISE SEGMENT INFORMATION (Continued)

majority of the assets and retained earnings, and substantially all of the operations, of the enterprise fund type.

NOTE 13 - LEGAL COMPLIANCE

Pursuant to Section 117.11(A) of the Revised Code, Weber · O'Brien Ltd. performed tests of compliance with various provisions of local, state and/or federal laws, as appropriate.

NOTE 14 - INSURANCE

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are fully insured.

The District participates with other school districts in the San-Ott Consortium (the Pool) in a jointly funded risk financing program administered by the Huntington Bank Trust Company. The Pool includes nine member school districts and the Ottawa County Education Center. The program is for employee benefits and includes life insurance, accidental death and dismemberment insurance, health insurance, prescription drug insurance, dental insurance and vision insurance. Each member district has an option on the coverage it has elected for its employees. The District provides to its employees all available options offered by the Pool.

A third party, Group Health Care and Medical Mutual of Ohio headquartered in Toledo, Ohio, reviews all claims which are then paid by the Pool. As of June 30, 1999, the Pool has cash reserves of \$ 4,821,000, which, in the opinion of San-Ott Consortium management, is adequate for any claims against the Pool.

During the fiscal year the District paid \$ 345,200 into the Pool for coverage. These costs are paid by the fund that pays the salary for the covered employees. The Pool purchases insurance coverage for excess claims to limit the potential loss to its members. The amount of risk retained within the Pool is an annual aggregate limit of \$100,000 per individual and claims exceeding that limit are covered by stop-loss insurance provided by a commercial insurer. The members, including the District, may be liable for any claims which exceed the Pool's assets and are less than the excess claims amount, which could be charged to members at a pro-rata share of the individual member's premium to the total Pool premiums. Financial information relating to the Pool may be obtained by writing to San-OTT Consortium, c/o Vanguard, 1306 Cedar Street, Fremont, OH 43420.

"SEE INDEPENDENT AUDITORS' REPORT"

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 1999

NOTE 15 - RECONCILIATIONS OF BUDGETARY BASIS TO GAAP BASIS OF ACCOUNTING

Adjustments necessary to convert the excess of revenue and other financing sources over (under) expenditures and other financing uses on the budgetary basis of accounting to the GAAP basis are as follows:

	<u>General Fund</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
Budgetary Basis	\$1,228,310	\$ 9,401	(\$464,392)	(\$9)
Revenue Accruals	(48,146)	(13,530)	20,675	-0-
Expense Accruals	(147,762)	6,076	71,241	-0-
Encumbrances	<u>16,847</u>	<u>1,529</u>	<u>132,326</u>	<u>-0-</u>
GAAP Basis	<u>\$1,049,249</u>	<u>\$ 3,476</u>	<u>(\$240,150)</u>	<u>(\$9)</u>

NOTE 16 - SET-ASIDES

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of July 1, 1998	\$ -0-	\$ -0-	\$353,859	\$353,859
Current Year Set-aside Requirement	290,583	290,583	363,229	944,395
Current Year Offsets	-0-	-0-	-0-	-0-
Qualifying Disbursements	<u>352,035</u>	<u>572,817</u>	<u>-0-</u>	<u>924,852</u>
Total	(<u>\$ 61,452</u>)	(<u>\$282,234</u>)	<u>\$717,088</u>	<u>\$373,402</u>
Cash Balance Carried Forward to FY 1999			<u>\$717,088</u>	
Total Restricted Assets				<u>\$717,088</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts below zero, these extra amounts may not be used to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

NOTE 17 - SUBSEQUENT EVENT

Subsequent to June 30, 1999, the Genoa Area School District issued School Facilities Construction and Improvement Bonds, Face Value of \$3,959,000, term of 28 years, with interest not to exceed 6% annually.

"SEE INDEPENDENT AUDITORS' REPORT"



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

Board of Education
Genoa Area Local School District
300 Susan Street
Clay Center, Ohio 43408-0148

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

Compliance

As part of obtaining reasonable assurance about whether Genoa Area Local 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 the compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genoa Area Local 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

Board of Education
Page Two

employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we control over financial reporting that we have reported to management of Genoa Area Local School District in a separate letter November 30, 1999.

This report is intended solely for the information of and use of the Board of Trustees, management and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Weber • O'Brien, Ltd.
November 30, 1999

GENOA AREA LOCAL SCHOOL DISTRICT
OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION - YEAR 2000 ISSUE (UNAUDITED)

The Year 2000 Issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The Genoa Area Local School District has completed an inventory of computer systems and equipment necessary to conduct District operations, and has identified such systems as being financial reporting, payroll and employee benefits, fixed assets inventory, and educational statistical reporting.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, the State of Ohio Uniform Staff Payroll System software for its payroll and employee benefits, and the State of Ohio School Asset Account System/Equipment Inventory Subsystem software for its fixed asset inventory. The State is responsible for remediating these systems.

Ottawa County collects real estate and personal property taxes for distribution to the District. The County is responsible for remediating its tax collecting system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grants payments. Further, the State processes a significant amount of financial and non-financial information about the District through the State's Education Management and Information system (EMIS). The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 Issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

GENOA AREA LOCAL SCHOOL DISTRICT

OTTAWA COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

Date: FEBRUARY 3, 2000