

**WEST GEAUGA LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**

**West Geauga Local School District**

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS**

Board of Education  
West Geauga Local School District  
Geauga County  
8615 Cedar Road  
Chesterland, Ohio 44026

We have audited the accompanying general-purpose financial statements of the West Geauga Local School District, Geauga County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 West Geauga Local School District, Geauga County, 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.

As described in Note 3 to the accompanying financial statements, the District reclassified, by fund type, certain funds as of July 1, 1998.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

A handwritten signature in black ink, appearing to read "Jim Petro", written over a horizontal line.

Jim Petro  
Auditor of State

January 20, 2000

**West Geauga Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups*  
*June 30, 1999*

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<i>Assets and Other Debits</i>				
<b>Assets</b>				
Equity in Pooled Cash and				
Cash Equivalents	\$820,798	\$385,935	\$144,498	\$1,141,119
With Fiscal Agents	0	0	1,073	0
Receivables:				
Taxes	11,212,532	0	1,838,304	430,049
Accounts	3,759	811	0	0
Intergovernmental	2,100	963	0	0
Interfund Receivable	27,592	0	0	0
Due From Other Funds	798	0	0	0
Materials and Supplies Inventory	3,778	0	0	0
Inventory Held for Resale	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and				
Cash Equivalents	228,766	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
<b>Other Debits</b>				
Amount Available in Debt Service				
Fund for Retirement of General				
Obligation Bonds	0	0	0	0
Amount to be Provided from				
General Government Resources	0	0	0	0
<i>Total Assets and Other Debits</i>	<b>\$12,300,123</b>	<b>\$387,709</b>	<b>\$1,983,875</b>	<b>\$1,571,168</b>

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$46,574	\$411,508	\$41,381	\$0	\$0	\$2,991,813
0	0	0	0	0	1,073
0	0	0	0	0	13,480,885
2,407	274	0	0	0	7,251
4,669	0	0	0	0	7,732
0	0	0	0	0	27,592
0	0	0	0	0	798
1,096	0	0	0	0	4,874
6,940	0	0	0	0	6,940
0	0	0	0	0	228,766
125,980	0	0	22,156,081	0	22,282,061
0	0	0	0	369,631	369,631
0	0	0	0	21,049,786	21,049,786
<u>\$187,666</u>	<u>\$411,782</u>	<u>\$41,381</u>	<u>\$22,156,081</u>	<u>\$21,419,417</u>	<u>\$60,459,202</u>

(continued)

**West Geauga Local School District**  
*Combined Balance Sheet*  
*All Fund Types and Account Groups (continued)*  
*June 30, 1999*

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b><i>Liabilities, Fund Equity and Other Credits</i></b>				
<b>Liabilities</b>				
Accounts Payable	\$68,708	\$18,118	\$0	\$93,624
Accrued Wages	727,688	7,523	0	0
Compensated Absences Payable	28,008	0	0	0
Interfund Payable	0	0	1,867	0
Due to Other Funds	0	758	0	0
Intergovernmental Payable	282,720	5,363	0	0
Deferred Revenue	9,914,532	0	1,611,304	375,549
Due to Students	0	0	0	0
Matured Bonds and Interest Payable	0	0	1,073	0
Special Termination Benefits Payable	151,500	0	0	0
Claims Payable	0	0	0	0
Energy Conservation Bonds Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
<b>Total Liabilities</b>	<b>11,173,156</b>	<b>31,762</b>	<b>1,614,244</b>	<b>469,173</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	16,184	150,605	0	138,333
Reserved for Inventory	3,778	0	0	0
Reserved for Property Taxes	1,298,000	0	227,000	54,500
Reserved for Textbooks and Materials	68,405	0	0	0
Reserved for Budget Stabilization	94,826	0	0	0
Reserved for Bus Purchases	65,535	0	0	0
Unreserved, Undesignated	(419,761)	205,342	142,631	909,162
<b>Total Fund Equity and Other Credits</b>	<b>1,126,967</b>	<b>355,947</b>	<b>369,631</b>	<b>1,101,995</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$12,300,123</b>	<b>\$387,709</b>	<b>\$1,983,875</b>	<b>\$1,571,168</b>

See accompanying notes to the general purpose financial statements

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$0	\$200	\$0	\$0	\$0	\$180,650
0	0	0	0	0	735,211
19,576	0	0	0	1,346,752	1,394,336
25,725	0	0	0	0	27,592
0	0	40	0	0	798
9,920	0	0	0	137,761	435,764
2,983	0	0	0	0	11,904,368
0	0	41,341	0	0	41,341
0	0	0	0	0	1,073
0	0	0	0	249,904	401,404
0	79,538	0	0	0	79,538
0	0	0	0	480,000	480,000
0	0	0	0	19,205,000	19,205,000
<u>58,204</u>	<u>79,738</u>	<u>41,381</u>	<u>0</u>	<u>21,419,417</u>	<u>34,887,075</u>
0	0	0	22,156,081	0	22,156,081
129,462	332,044	0	0	0	461,506
0	0	0	0	0	305,122
0	0	0	0	0	3,778
0	0	0	0	0	1,579,500
0	0	0	0	0	68,405
0	0	0	0	0	94,826
0	0	0	0	0	65,535
0	0	0	0	0	837,374
<u>129,462</u>	<u>332,044</u>	<u>0</u>	<u>22,156,081</u>	<u>0</u>	<u>25,572,127</u>
<u>\$187,666</u>	<u>\$411,782</u>	<u>\$41,381</u>	<u>\$22,156,081</u>	<u>\$21,419,417</u>	<u>\$60,459,202</u>

**West Geauga Local School District**  
*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999

	<u>Governmental</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues</b>		
Taxes	\$9,670,179	\$0
Intergovernmental	4,685,116	590,022
Interest	213,613	18,181
Tuition and Fees	28,799	0
Extracurricular Activities	0	257,183
Contributions and Donations	289	39,498
Rentals	22,228	0
Charges for Services	14,723	0
Miscellaneous	33,170	11,020
<i>Total Revenues</i>	<u>14,668,117</u>	<u>915,904</u>
<b>Expenditures</b>		
Current:		
Instruction:		
Regular	7,218,407	94,005
Special	1,208,429	68,643
Vocational	128,420	0
Support Services:		
Pupils	902,250	66,624
Instructional Staff	441,940	30,875
Board of Education	39,250	4,573
Administration	1,380,664	12,066
Fiscal	324,791	0
Business	63,696	0
Operation and Maintenance of Plant	1,792,039	261
Pupil Transportation	1,045,345	468
Central	83,067	32
Operation of Non-Instructional Services	0	458,488
Extracurricular Activities	385,590	193,529
Capital Outlay	0	0
Debt Service:		
Principal Retirement	0	0
Interest and Fiscal Charges	0	0
<i>Total Expenditures</i>	<u>15,013,888</u>	<u>929,564</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(345,771)</u>	<u>(13,660)</u>
<b>Other Financing Sources (Uses)</b>		
Operating Transfers In	0	0
Operating Transfers Out	(50,000)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(50,000)</u>	<u>0</u>
<i>Excess of Revenues and Other Financial Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(395,771)</u>	<u>(13,660)</u>
<i>Fund Balances Beginning of Year (Restated - See Note 3)</i>	1,521,525	369,607
Increase in Reserve for Inventory	1,213	0
<i>Fund Balances End of Year</i>	<u>\$1,126,967</u>	<u>\$355,947</u>

See accompanying notes to the general purpose financial statements

Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$1,693,223	\$268,196	\$11,631,598
203,951	94,551	5,573,640
0	37,009	268,803
0	0	28,799
0	0	257,183
0	0	39,787
0	0	22,228
0	0	14,723
0	14,271	58,461
<u>1,897,174</u>	<u>414,027</u>	<u>17,895,222</u>
0	0	7,312,412
0	0	1,277,072
0	0	128,420
0	0	968,874
0	0	472,815
0	0	43,823
0	0	1,392,730
0	0	324,791
0	0	63,696
0	0	1,792,300
0	0	1,045,813
0	0	83,099
0	0	458,488
0	0	579,119
0	240,034	240,034
935,000	0	935,000
<u>1,192,343</u>	<u>0</u>	<u>1,192,343</u>
<u>2,127,343</u>	<u>240,034</u>	<u>18,310,829</u>
<u>(230,169)</u>	<u>173,993</u>	<u>(415,607)</u>
0	0	0
<u>0</u>	<u>0</u>	<u>(50,000)</u>
<u>0</u>	<u>0</u>	<u>(50,000)</u>
(230,169)	173,993	(465,607)
599,800	928,002	3,418,934
<u>0</u>	<u>0</u>	<u>1,213</u>
<u>\$369,631</u>	<u>\$1,101,995</u>	<u>\$2,954,540</u>

**West Geauga Local School District**  
*Combined Statement of Revenues, Expenditures and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types  
For the Fiscal Year Ended June 30, 1999*

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$9,852,679	\$9,852,679	\$0
Intergovernmental	4,663,197	4,686,229	23,032
Interest	226,556	213,613	(12,943)
Tuition and Fees	27,460	27,498	38
Extracurricular Activities	0	0	0
Gifts and Donations	300	289	(11)
Rentals	21,400	19,955	(1,445)
Charges for Services	14,723	14,723	0
Miscellaneous	32,084	32,372	288
<b>Total Revenues</b>	<b>14,838,399</b>	<b>14,847,358</b>	<b>8,959</b>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	7,129,916	7,016,570	113,346
Special	1,332,001	1,216,813	115,188
Vocational	128,398	128,233	165
<b>Support Services:</b>			
Pupils	978,509	909,756	68,753
Instructional Staff	469,773	450,950	18,823
Board of Education	42,589	39,577	3,012
Administration	1,427,401	1,380,297	47,104
Fiscal	343,383	325,538	17,845
Business	67,768	65,942	1,826
Operation and Maintenance of Plant	1,865,901	1,758,046	107,855
Pupil Transportaton	1,089,830	1,063,887	25,943
Central	108,467	87,400	21,067
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	389,005	385,731	3,274
Capital Outlay	0	0	0
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>15,372,941</b>	<b>14,828,740</b>	<b>544,201</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(534,542)</b>	<b>18,618</b>	<b>553,160</b>
<b>Other Financing Sources (Uses)</b>			
Advances In	98,963	98,237	(726)
Advances Out	(125,000)	(120,529)	4,471
Operating Transfers In	0	0	0
Operating Transfers Out	(75,000)	(50,000)	25,000
<b>Total Other Financing Sources (Uses)</b>	<b>(101,037)</b>	<b>(72,292)</b>	<b>28,745</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(635,579)</b>	<b>(53,674)</b>	<b>581,905</b>
<b>Fund Balances Beginning of Year</b>	<b>872,102</b>	<b>872,102</b>	<b>0</b>
Prior Year Encumbrances Appropriated	145,823	145,823	0
<b>Fund Balances End of Year</b>	<b>\$382,346</b>	<b>\$964,251</b>	<b>\$581,905</b>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,840,703	\$1,840,703	\$0
590,022	590,022	0	203,951	203,951	0
18,181	18,181	0	0	0	0
0	0	0	0	0	0
260,243	260,315	72	0	0	0
39,141	39,397	256	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
11,100	11,020	(80)	0	0	0
<u>918,687</u>	<u>918,935</u>	<u>248</u>	<u>2,044,654</u>	<u>2,044,654</u>	<u>0</u>
143,443	128,318	15,125	0	0	0
83,009	65,784	17,225	0	0	0
0	0	0	0	0	0
81,618	66,796	14,822	0	0	0
22,118	27,023	(4,905)	0	0	0
4,795	4,573	222	0	0	0
15,942	12,920	3,022	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
330	261	69	0	0	0
360	468	(108)	0	0	0
6,076	32	6,044	0	0	0
644,835	587,542	57,293	0	0	0
238,403	208,561	29,842	0	0	0
0	0	0	0	0	0
0	0	0	935,000	935,000	0
0	0	0	<u>1,192,353</u>	<u>1,192,343</u>	<u>10</u>
<u>1,240,929</u>	<u>1,102,278</u>	<u>138,651</u>	<u>2,127,353</u>	<u>2,127,343</u>	<u>10</u>
<u>(322,242)</u>	<u>(183,343)</u>	<u>138,899</u>	<u>(82,699)</u>	<u>(82,689)</u>	<u>10</u>
15,000	15,000	0	278,197	278,197	0
(15,000)	(15,000)	0	(276,330)	(276,330)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	<u>1,867</u>	<u>1,867</u>	<u>0</u>
<u>(322,242)</u>	<u>(183,343)</u>	<u>138,899</u>	<u>(80,832)</u>	<u>(80,822)</u>	<u>10</u>
285,981	285,981	0	225,320	225,320	0
111,396	111,396	0	0	0	0
<u>\$75,135</u>	<u>\$214,034</u>	<u>\$138,899</u>	<u>\$144,488</u>	<u>\$144,498</u>	<u>\$10</u>

(continued)

**West Geauga Local School District**  
*Combined Statement of Revenues, Expenditures and Changes In  
Fund Balances - Budget (Non-GAAP Basis) and Actual  
All Governmental Fund Types (continued)  
For the Fiscal Year Ended June 30, 1999*

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Taxes	\$213,696	\$213,696	\$0
Intergovernmental	94,551	94,551	0
Interest	35,900	37,009	1,109
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Gifts and Donations	0	0	0
Rentals	0	0	0
Charges for Services	0	0	0
Miscellaneous	14,271	14,271	0
<b>Total Revenues</b>	<b>358,418</b>	<b>359,527</b>	<b>1,109</b>
<b>Expenditures</b>			
<b>Current:</b>			
<b>Instruction:</b>			
Regular	76,219	22,427	53,792
Special	0	0	0
Vocational	0	0	0
<b>Support Services:</b>			
Pupils	6,324	6,290	34
Instructional Staff	34,255	28,159	6,096
Board of Education	0	0	0
Administration	62,101	57,646	4,455
Fiscal	58,234	3,429	54,805
Business	0	0	0
Operation and Maintenance of Plant	50,505	43,314	7,191
Pupil Transportaton	120,000	113,061	6,939
Central	0	0	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	122,781	108,156	14,625
<b>Debt Service:</b>			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<b>Total Expenditures</b>	<b>530,419</b>	<b>382,482</b>	<b>147,937</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(172,001)</b>	<b>(22,955)</b>	<b>149,046</b>
<b>Other Financing Sources (Uses)</b>			
Advances In	232,667	232,667	0
Advances Out	(232,667)	(232,667)	0
Operating Transfers In	0	0	0
Operating Transfers Out	(298,820)	0	298,820
<b>Total Other Financing Sources (Uses)</b>	<b>(298,820)</b>	<b>0</b>	<b>298,820</b>
<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>(470,821)</b>	<b>(22,955)</b>	<b>447,866</b>
<b>Fund Balances Beginning of Year</b>	<b>892,186</b>	<b>892,186</b>	<b>0</b>
<b>Prior Year Encumbrances Appropriated</b>	<b>39,933</b>	<b>39,933</b>	<b>0</b>
<b>Fund Balances End of Year</b>	<b>\$461,298</b>	<b>\$909,164</b>	<b>\$447,866</b>

See accompanying notes to the general purpose financial statements.

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$11,907,078	\$11,907,078	\$0
5,551,721	5,574,753	23,032
280,637	268,803	(11,834)
27,460	27,498	38
260,243	260,315	72
39,441	39,686	245
21,400	19,955	(1,445)
14,723	14,723	0
57,455	57,663	208
<u>18,160,158</u>	<u>18,170,474</u>	<u>10,316</u>
7,349,578	7,167,315	182,263
1,415,010	1,282,597	132,413
128,398	128,233	165
1,066,451	982,842	83,609
526,146	506,132	20,014
47,384	44,150	3,234
1,505,444	1,450,863	54,581
401,617	328,967	72,650
67,768	65,942	1,826
1,916,736	1,801,621	115,115
1,210,190	1,177,416	32,774
114,543	87,432	27,111
644,835	587,542	57,293
627,408	594,292	33,116
122,781	108,156	14,625
935,000	935,000	0
<u>1,192,353</u>	<u>1,192,343</u>	<u>10</u>
<u>19,271,642</u>	<u>18,440,843</u>	<u>830,799</u>
<u>(1,111,484)</u>	<u>(270,369)</u>	<u>841,115</u>
624,827	624,101	(726)
(648,997)	(644,526)	4,471
0	0	0
<u>(373,820)</u>	<u>(50,000)</u>	<u>323,820</u>
<u>(397,990)</u>	<u>(70,425)</u>	<u>327,565</u>
(1,509,474)	(340,794)	1,168,680
2,275,589	2,275,589	0
297,152	297,152	0
<u>\$1,063,267</u>	<u>\$2,231,947</u>	<u>\$1,168,680</u>

**West Geauga Local School District**  
*Combined Statement of Revenues,  
Expenses and Changes in Fund Equity  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999*

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b>Operating Revenues</b>			
Tuition and Fees	\$21,601	\$0	\$21,601
Sales	493,946	0	493,946
Charges for Services	0	804,570	804,570
<i>Total Operating Revenues</i>	<u>515,547</u>	<u>804,570</u>	<u>1,320,117</u>
<b>Operating Expenses</b>			
Salaries and Wages	175,766	0	175,766
Fringe Benefits	49,113	0	49,113
Purchased Services	95,704	24,450	120,154
Materials and Supplies	73,278	0	73,278
Cost of Sales	53,766	0	53,766
Depreciation	9,726	0	9,726
Claims	0	713,690	713,690
Other	159,558	0	159,558
<i>Total Operating Expenses</i>	<u>616,911</u>	<u>738,140</u>	<u>1,355,051</u>
<i>Operating Income (Loss)</i>	<u>(101,364)</u>	<u>66,430</u>	<u>(34,934)</u>
<b>Non-Operating Revenues</b>			
Donated Commodities	14,854	0	14,854
Operating Grants	28,615	0	28,615
Interest	297	0	297
<i>Total Non-Operating Revenues</i>	<u>43,766</u>	<u>0</u>	<u>43,766</u>
<i>Income (Loss) before Operating Transfers</i>	<u>(57,598)</u>	<u>66,430</u>	<u>8,832</u>
Operating Transfers In	50,000	0	50,000
<i>Net Income (Loss)</i>	<u>(7,598)</u>	<u>66,430</u>	<u>58,832</u>
<i>Retained Earnings Beginning of Year (Restated - See Note 3)</i>	<u>137,060</u>	<u>265,614</u>	<u>402,674</u>
<i>Retained Earnings End of Year</i>	<u>\$129,462</u>	<u>\$332,044</u>	<u>\$461,506</u>

See accompanying notes to the general purpose financial statements

**West Geauga Local School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types  
For the Fiscal Year Ended June 30, 1999*

	<b>Enterprise Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Sales	\$493,481	\$493,406	(\$75)
Charges for Services	0	0	0
Interest	0	297	297
Operating Grants	30,850	29,182	(1,668)
Other Revenues	21,027	21,027	0
<i>Total Revenues</i>	<u>545,358</u>	<u>543,912</u>	<u>(1,446)</u>
<b>Expenses</b>			
Salaries and Wages	175,444	175,279	165
Fringe Benefits	49,352	53,125	(3,773)
Purchased Services	112,007	95,704	16,303
Materials and Supplies	119,575	113,995	5,580
Claims	0	0	0
Other	160,009	159,558	451
<i>Total Expenses</i>	<u>616,387</u>	<u>597,661</u>	<u>18,726</u>
<i>Excess of Revenues Over (Under) Expenses</i>	(71,029)	(53,749)	17,280
Advances In	60,000	60,000	0
Advances Out	(40,000)	(39,575)	425
Operating Transfers In	50,000	50,000	0
<i>Excess of Revenues Over Expenses, Advances and Transfers</i>	(1,029)	16,676	17,705
<i>Fund Equity Beginning of Year</i>	<u>29,783</u>	<u>29,783</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u>\$28,754</u>	<u>\$46,459</u>	<u>\$17,705</u>

(continued)

**West Geauga Local School District**  
*Combined Statement of Revenues, Expenses and Changes in  
Fund Equity - Budget (Non-GAAP Basis) and Actual  
All Proprietary Fund Types (continued)  
For the Fiscal Year Ended June 30, 1999*

	<b>Internal Service Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>			
Sales	\$0	\$0	\$0
Charges for Services	804,023	804,296	273
Interest	0	0	0
Operating Grants	0	0	0
Other Revenues	0	0	0
<i>Total Revenues</i>	<u>804,023</u>	<u>804,296</u>	<u>273</u>
<b>Expenses</b>			
Salaries and Wages	0	0	\$0
Fringe Benefits	0	0	0
Purchased Services	78,117	24,450	53,667
Materials and Supplies	0	0	0
Claims	699,883	699,883	0
Other	0	0	0
<i>Total Expenses</i>	<u>778,000</u>	<u>724,333</u>	<u>53,667</u>
<i>Excess of Revenues Over (Under) Expenses</i>	26,023	79,963	53,940
Advances In	0	0	0
Advances Out	0	0	0
Operating Transfers In	0	0	0
<i>Excess of Revenues Over Expenses, Advances and Transfers</i>	26,023	79,963	53,940
<i>Fund Equity Beginning of Year</i>	<u>331,345</u>	<u>331,345</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$357,368</u></u>	<u><u>\$411,308</u></u>	<u><u>\$53,940</u></u>

See accompanying notes to the general purpose financial statements

**Totals (Memorandum Only)**

<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
\$493,481	\$493,406	(\$75)
804,023	804,296	273
0	297	297
30,850	29,182	(1,668)
21,027	21,027	0
<u>1,349,381</u>	<u>1,348,208</u>	<u>(1,173)</u>
175,444	175,279	165
49,352	53,125	(3,773)
190,124	120,154	69,970
119,575	113,995	5,580
699,883	699,883	0
160,009	159,558	451
<u>1,394,387</u>	<u>1,321,994</u>	<u>72,393</u>
(45,006)	26,214	71,220
60,000	60,000	0
(40,000)	(39,575)	425
50,000	50,000	0
24,994	96,639	71,645
<u>361,128</u>	<u>361,128</u>	<u>0</u>
<u>\$386,122</u>	<u>\$457,767</u>	<u>\$71,645</u>

**West Geauga Local School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types*  
*For the Fiscal Year Ended June 30, 1999*

	<u>Enterprise</u>	<u>Internal Services</u>	<u>Totals (Memorandum Only)</u>
<b><i>Increase (Decrease) in Cash and Cash Equivalents</i></b>			
<b>Cash Flows from Operating Activities</b>			
Cash Received from Customers	\$493,406	\$0	\$493,406
Cash Received from Tuition Payments	21,027	0	21,027
Cash Received from Quasi-External Transactions with Other Funds	0	804,296	804,296
Cash Payments to Suppliers for Goods and Services	(209,584)	(24,250)	(233,834)
Cash Payments to Employees for Services	(175,279)	0	(175,279)
Cash Payments for Employee Benefits	(53,125)	0	(53,125)
Cash Payments for Other	(159,558)	0	(159,558)
Cash Payments for Claims	0	(699,883)	(699,883)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(83,113)</u>	<u>80,163</u>	<u>(2,950)</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating Grants Received	29,182	0	29,182
Operating Transfers In	50,000	0	50,000
Advances In	60,000	0	60,000
Advances Out	(39,575)		(39,575)
<i>Net Cash Provided by Noncapital Financing Activities</i>	99,607	0	99,607
<b>Cash Flows from Investing Activities</b>			
Interest on Investments	297	0	297
<i>Net Increase in Cash and Cash Equivalents</i>	16,791	80,163	96,954
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>29,783</u>	<u>331,345</u>	<u>361,128</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$46,574</u>	<u>\$411,508</u>	<u>\$458,082</u>

(continued)

**West Geauga Local School District**  
*Combined Statement of Cash Flows*  
*All Proprietary Fund Types (continued)*  
*For the Fiscal Year Ended June 30, 1999*

	<b>Enterprise</b>	<b>Internal Services</b>	<b>Totals (Memorandum Only)</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>			
<i>Operating Income (Loss)</i>	<u>(\$101,364)</u>	<u>\$66,430</u>	<u>(\$34,934)</u>
<i>Adjustments:</i>			
Donated Commodities Used During Year	14,854	0	14,854
Depreciation	9,726	0	9,726
<i>(Increase) Decrease in Assets:</i>			
Accounts Receivable	(1,114)	(274)	(1,388)
Materials and Supplies Inventory	22	0	22
Inventory Held for Resale	(1,712)	0	(1,712)
<i>Increase (Decrease) in Liabilities:</i>			
Accounts Payable	0	200	200
Accrued Wages	(4,290)	0	(4,290)
Compensated Absences Payable	3,614	0	3,614
Intergovernmental Payable	278	0	278
Special Termination Benefits Payable	(3,127)	0	(3,127)
Claims Payable	0	13,807	13,807
<i>Total Adjustments</i>	<u>18,251</u>	<u>13,733</u>	<u>31,984</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>(\$83,113)</u>	<u>\$80,163</u>	<u>(\$2,950)</u>

See accompanying notes to the general purpose financial statements

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 1 - Description of The School District**

The West Geauga Local School District (the "School District") operates under a locally elected five member Board form of government and provides educational services as authorized by State/or federal agencies. The Board controls the School District's four instructional facilities, staffed by 115 classified personnel, 170 certified teaching personnel and 13 administrative employees to provide services to students and other community members.

The School District is located in Geauga County, including all of Chesterland and Russell Townships and portions of South Russell and Hunting Valley, Ohio. The enrollment for the School District during the 1999 fiscal year was 2,495. The School District operates two elementary schools (K-5), one middle school (6 - 8), and one high school (9-12).

*Reporting Entity*

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

Non-public Schools - Within the School District boundaries, there are various non-public schools. Current State legislature provides funding to these non-public schools. These monies are received and disbursed on behalf of the non-public school by the treasurer of the School District, as directed by the non-public school. The activity of these State monies by the School District is reflected in a special revenue fund for financial reporting purposes.

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

The School District is associated with the Lake Geauga Computer Association, East Shore Regional Transportation System, Ohio Schools Council, and West Geauga Joint Recreation Council, jointly governed organizations and the Ohio School Boards' Association Workers' Compensation Group Rating Program, a public entity risk pool. These organizations are presented in Notes 16 and 17 to the general purpose financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School 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 School District also applies Financial Accounting Standards Board (FASB)

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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statements issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***A. Basis Of Presentation - Fund Accounting***

The School 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 School District functions or activities.

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

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

***Governmental Fund Types*** Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

***Special Revenue Funds*** Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

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

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

***Enterprise Funds*** The enterprise funds are used to account for 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 revenues earned, expenses incurred, and/or net income is

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999.*

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appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

**Fiduciary Fund Types** Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's only fiduciary funds are agency funds. The School District has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and thus does not involve measurement of results of operations.

**Account Groups** To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term obligations related to specific funds and those of a general nature, the following account groups are used:

**General Fixed Assets Account Group** This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

**General Long-Term Obligations Account Group** This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types 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 are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

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

The School 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

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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.

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 accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they are incurred, if measurable. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

**C. Budgetary Data**

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 resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations 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 for the general, debt service, and capital project funds. The legal level of budgetary control is at the fund level for all other funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education.

**Tax Budget** Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**Estimated Resources** Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 1999.

**Appropriations** Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within the general, debt service, and capital project funds, or alter object appropriations within functions within the general, debt service, and capital project funds, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than the agency fund, consistent with statutory provisions.

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

***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.

***D. Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet.

During fiscal year 1999, investments were limited to STAROhio reported at fair value and common stock. The common stock was held during the year but sold prior to year end. 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 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.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest. Interest revenue credited to the general fund during fiscal year 1999 amounted to \$213,613, which includes \$126,041 assigned from other School District funds.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the combined balance sheet as "cash and cash equivalents with fiscal agents" and represents deposits for short-term investments in certificates of deposit.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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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 an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are considered to be investments.

***E. Restricted Assets***

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for textbooks and materials, bus purchases and budget stabilization. See Note 22 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

***F. Inventory***

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

***G. Fixed Assets and Depreciation***

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 capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Assets in the general fixed assets account group are not depreciated. Depreciation of equipment in the proprietary fund types is computed using the straight-line method over an estimated useful life of eight to twenty years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

***H. Intergovernmental Revenues***

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

**West Geauga Local School District**  
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The School District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

*General Fund*

State Foundation Program  
State Property Tax Relief

**Non-Reimbursable Grants**

*Special Revenue Funds*

Teacher Development  
Educational Management Information Systems  
Title I  
Title IV  
Title VI  
Title VI-B  
Auxiliary Services  
Eisenhower  
Continuous Improvement Grant

*Capital Projects Funds*

School Net

**Reimbursable Grants**

*General Fund*

School Bus Purchase  
Driver Education

Grants and entitlements amounted to approximately thirty-one percent of the School District's governmental fund types' revenue during the 1999 fiscal year.

***I. Interfund Assets and Liabilities***

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivable/payables."

***J. Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probably of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the School District's termination policy.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
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For governmental funds, the current portion of 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 an accumulated leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary funds, the entire amount of compensated absences is recorded as a fund liability.

***K. 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 judgements, compensated absences, contractually required pension contribution 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. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds 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.

***L. Interfund Transactions***

Quasi-external transactions are accounted for as revenues and 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.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

***M. Fund Balance Reserves***

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations or expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, textbooks and materials, budget stabilization, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by the statute to protect against cyclical changes in revenues and expenditures.

***N. Estimates***

The preparation of the 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.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
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**O. Memorandum Only - Total Columns**

Total columns on the general purpose financial statements are captioned "Totals - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations 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 3 - Restatement of Fund Equity**

The General fund balance changed from \$1,520,498 to \$1,521,525 due to a fund reclassification and an understatement of cash.

The Special Revenue fund balance changed from \$537,365 to \$369,607 due to a fund reclassification.

The Food Service enterprise fund retained earnings changed from \$135,942 to \$137,060 due to an understatement of materials and supplies inventory.

The Internal Service fund retained earnings changed from \$269,056 to \$265,614 due to an understatement of materials and supplies inventory.

The Expendable Trust fund balance was eliminated due to a fund reclassification.

The General Long Term Obligations account group total liabilities changed from \$22,443,467 to \$22,251,915 due to an overstatement in compensated absences payable and special termination benefits payable.

**Note 4 - Accountability**

The Title VI special revenue fund had total appropriations in excess of estimated revenue plus carryover balances in violation of Section 5705.39, Revised Code in the amount of \$504.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

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3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund type (GAAP).

The following tables summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	(\$395,771)	(\$13,660)	(\$230,169)	\$173,993
Net Adjustment for Revenue Accruals	179,241	3,031	147,480	(54,500)
Advances In	98,237	15,000	278,197	232,667
Net Adjustment for Expenditure Accruals	270,461	(813)	0	89,507
Advances Out	(120,529)	(15,000)	(276,330)	(232,667)
Encumbrances	(85,313)	(171,901)	0	(231,955)
Budget Basis	<u>(\$53,674)</u>	<u>(\$183,343)</u>	<u>(\$80,822)</u>	<u>(\$22,955)</u>

Net Income (Loss)\Excess of Revenues  
Over Expenses and Advances  
All Proprietary Fund Types

	Enterprise	Internal Service
GAAP Basis	(\$7,598)	\$66,430
Net Adjustment for Revenue Accruals	(15,401)	(274)
Advances In	60,000	0
Net Adjustment for Expenditure Accruals	9,639	14,007
Advances Out	(39,575)	0
Depreciation Expense	9,726	0
Encumbrances	(115)	(200)
Budget Basis	<u>\$16,676</u>	<u>\$79,963</u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by

**West Geauga Local School District**  
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certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

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 School District, and must be purchased with the expectation that it will

**West Geauga Local School District**  
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be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$168,219 and the bank balance was \$726,794. \$205,787 of the bank balance was covered by federal depository insurance. \$521,007 was uninsured and uncollateralized. 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 could potentially subject the School District to a successful claim by the FDIC.

**Investments** The School District's investments are required to be categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. The School District invests in STAROhio, the State Treasurer's Investment Pool, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form.

	Fair Value
Investment in STAROhio	<u>\$3,053,433</u>

The classification of cash and cash equivalents, and investments on the combined general purpose financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined general purpose financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,221,652	\$0
Investments which are part of a cash management pool:		
STAROhio	(3,053,433)	3,053,433
GASB Statement No. 3	\$168,219	\$3,053,433

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
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**Note 7 - Property Taxes**

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 1999 for real and public utility property taxes represents collections of calendar 1998 taxes. Property tax payments received during calendar 1999 for tangible personal property (other than public utility property) is for calendar 1999 taxes.

1999 real property taxes are levied after April 1, 1999, on the assessed value listed as of January 1, 1999, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 1999 public utility property taxes became a lien December 31, 1998, are levied after April 1, 1999, and are collected in 2000 with real property taxes.

1999 tangible personal property taxes are levied after April 1, 1999, on the value listed as of December 31, 1998. Collections are made in 1999. Tangible personal property assessments are twenty-five percent of true value.

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

	1998 Second-Half Collections		1999 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$415,476,820	92.72%	\$420,639,630	92.67%
Public Utility Personal	25,762,260	5.75	25,496,420	5.62
Tangible Personal Property	6,851,410	1.53	7,777,070	1.71
	<u>\$448,090,490</u>	<u>100.00%</u>	<u>\$453,913,120</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$50.30		\$50.30	

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

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

The School District receives property taxes from Geauga County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**West Geauga Local School District**  
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The County Treasurer collects property taxes on behalf of all taxing districts in the county, including West Geauga Local School District. The County Auditor periodically remits to the School District its portion of taxes. Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible 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 fiscal 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 \$1,298,000 to the General fund, \$227,000 to the Bond Retirement fund and \$54,500 to the Permanent Improvement fund.

**Note 8 - Receivables**

Receivables at June 30, 1999, consisted of taxes, accounts (rent and student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

Intergovernmental Receivables	Amount
<b>General Fund</b>	
Driver's Education	\$2,100
<b>Special Revenue Fund</b>	
Athletics and Music	963
<b>Enterprise Fund</b>	
Food Service	4,669
<b>Total</b>	<b>\$7,732</b>

**Note 9 - Fixed Assets**

A summary of the Enterprise funds' fixed assets at June 30, 1999, follows:

Equipment	\$274,733
Less: accumulated depreciation	(148,753)
Net Fixed Assets	<b>\$125,980</b>

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
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A summary of the changes in general fixed assets during fiscal year 1999 follows:

	Balance 6/30/98	Additions	Deductions	Balance 6/30/99
Land	\$1,518,835	\$0	\$0	\$1,518,835
Buildings	14,081,077	0		14,081,077
Furniture and Equipment	4,734,863	90,396	0	4,825,259
Vehicles	1,730,910	0	0	1,730,910
<b>Total General Fixed Assets</b>	<b>\$22,065,685</b>	<b>\$90,396</b>	<b>0</b>	<b>\$22,156,081</b>

**Note 10 - Risk Management**

***A. Property and Liability***

The School 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. During fiscal year 1999, the School District contracted with Nationwide Insurance Company for its professional liability coverage. This coverage has a \$2,000,000 single occurrence and \$5,000,000 annual aggregate with no deductible.

The vehicular fleet insurance is provided through Lake Shore Insurance Agency and is provided by Grange Insurance Company with \$100 deductible for comprehensive and \$250 deductible for collision. Fleet liability is provided through Nationwide Insurance with a combined single limit of \$1,000,000.

The Boiler and Machinery insurance is provided by the Ohio Schools Council with Travelers Property Insurance. Boiler and Machinery limits are \$30,000,000 with \$1,000 deductible. Crime insurance is purchased through the Ohio Schools Council with Todd & Associates and is provided by Ohio Casualty Group. The Property and Casualty insurance is purchased through the Ohio Schools Council with Todd & Associates and is provided by Crum & Forster Insurance.

Settled claims have not exceeded this commercial coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

***B. Medical***

The School District has elected to contract with Klais & Company, Inc. to provide medical benefits for employees through a self-insured program. The maintenance of these benefits is accounted for in the self-insurance fund. An excess coverage insurance (stop loss) policy covers claims in excess of \$50,000 per employee.

The self-insurance fund pays for the costs of providing claims servicing and claims payment. The premiums charged for family and single coverage are \$534.00 and \$214.00 respectively. The benefits that are included in this lump sum premium are medical, and dental. Life insurance premiums are paid by the Board and include a \$25,000 policy for all full-time employees and \$12,500 policy for employees working part-time (20+ hours).

**West Geauga Local School District**  
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The claims liability of \$79,538 reported in the self-insurance fund and the general long-term obligations account group at June 30, 1999, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. The following table presents claims information for 1998 and 1999.

Year	Beginning Balance	Current Year Claims	Claims Payments	Ending Balance
1998	\$79,249	\$769,142	\$782,660	\$65,731
1999	65,731	713,690	699,883	79,538

**C. Workers Compensation**

For fiscal year 1999, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), a public entity risk pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This equity pooling arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

**Note 11 - Defined Benefit Pension Plans**

**A. School Employees Retirement System**

West Geauga Local School District contributes to the School Employees System of Ohio (SERS), a cost-sharing multiple employer defined 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the West Geauga Local School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 1999, 7.7 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 1998, 9.02 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

**West Geauga Local School District**  
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The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$190,438, \$352,493, and \$335,603, respectively; 53.3 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$88,851 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

***B. State Teachers Retirement System***

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides 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 43215-3371.

For the fiscal year ended June 30, 1999, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. For fiscal year 1998, the portion used to fund pension obligations was 10.5 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$465,965, \$1,091,454, and \$1,061,153, respectively; 86.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$64,514 represents the unpaid contribution for fiscal year 1999 and is recorded as a liability within the respective funds.

***C. Social Security System***

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

**Note 12 - Postemployment Benefits**

The School 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 costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998. For the School District, this amount equaled \$621,287 for fiscal year 1999.

**West Geauga Local School District**  
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STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1998, (the latest information available) the balance in the Fund was \$2,156 million. 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 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, 1999, 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 was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 1999 fiscal year equaled \$186,920.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 1998 (the latest information available), were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998, SERS has net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

## **Note 13 - Employee Benefits**

### ***A. Compensated Absences***

The criteria for determining vacation and sick leave components are derived from Negotiated Agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and most administrators do not earn vacation time. The Superintendent, Treasurer, and Buildings and Grounds Supervisor are administrators entitled to earn vacation. All certified and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to classified employees for one-fourth of their accumulated sick leave with a maximum accumulation of 250 days. Classified employees are paid within 120 days of the retirement date. Upon retirement, payment is made to certified employees for one-fourth of their accumulated sick leave with a maximum accumulation of 245 days. Certified employees are paid over a three year period with the first payment deferred until August of the year following their effective retirement date. Upon retirement, payment is made to administrators for a scheduled percentage based upon their years of West Geauga service.

### ***B. Early Retirement Incentive***

The West Geauga Local School District Board of Education approved an Early Retirement Incentive program in fiscal year 1998 for certified employees. The Retirement Incentive is based upon first-time retirement eligibility under STRS and notification of retirement in writing by March 15. The retirement incentive is paid in two installments in January of each year following the effective retirement date. Classified employees retirement incentive is paid in January of the year following the date of retirement as long as the employees

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
For the Fiscal Year Ended June 30, 1999

meet the criteria for retirement and notifies the Board on or before June 30. The payments are made from the general fund.

**Note 14 - Interfund Transactions**

Interfund balances at June 30, 1999, consisted of:

Fund	Receivable		Payable	
	Interfund	Due From	Interfund	Due To
General	\$27,592	\$798	\$0	\$0
Rotary Special Revenue Fund	0	0	0	758
Bond Retirement Debt Service Fund	0	0	1,867	0
<b>Enterprise Funds</b>				
Food Services	0	0	25,000	0
Uniform School Supplies	0	0	725	0
<i>Total Enterprise Funds</i>	0	0	25,725	0
Student Activities Agency Fund	0	0	0	40
<b>Total</b>	<b>\$27,592</b>	<b>\$798</b>	<b>\$27,592</b>	<b>\$798</b>

**Note 15 - Long-Term Obligations**

Changes in long-term obligations of the School District during fiscal year 1999, were as follows:

	Outstanding June 30, 1998	Additions	Deletions	Outstanding June 30, 1999
<b>General Obligation Bonds</b>				
7.625% Public Library Bonds	\$850,000	\$0	\$75,000	\$775,000
5.625% School Improvement Bonds	19,210,000	0	780,000	18,430,000
<i>Total General Obligation Bonds</i>	20,060,000	0	855,000	19,205,000
5.521% Energy Conservation Bonds	560,000	0	80,000	480,000
Compensated Absences	1,183,403	302,846	139,497	1,346,752
Intergovernmental Payable	135,055	137,761	135,055	137,761
Special Termination Benefits	313,457	108,542	172,095	249,904
<b>Total General Long-Term Obligations</b>	<b>\$22,251,915</b>	<b>\$549,149</b>	<b>\$1,381,647</b>	<b>\$21,419,417</b>

The bonds will be paid from the debt service fund. Compensated absences and special termination benefits will be paid from the fund from which the person is paid. The intergovernmental payable represents contractually required pension contributions paid outside the available period and will be paid from the fund from which the person is paid.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

The School District's overall legal debt margin was \$21,536,812 with an unvoted debt margin of \$453,913 at June 30, 1999. Principal and interest requirements to retire the bonds outstanding and the early retirement incentive payable at June 30, 1999, are as follows:

Fiscal Year Ending June 30,	Principal		Interest	
	General Obligation Bonds	Early Retirement Incentive	General Obligation Bonds	Total
2000	\$1,065,000	212,404	\$1,122,504	\$2,399,908
2001	1,305,000	37,500	1,061,218	2,403,718
2002	1,440,000	0	989,079	2,429,079
2003	1,580,000	0	908,466	2,488,466
2004	1,730,000	0	797,001	2,527,001
2005-2009	9,295,000	0	2,255,778	11,550,778
2010-2113	3,270,000	0	383,469	3,653,469
<b>Total</b>	<b>\$19,685,000</b>	<b>\$249,904</b>	<b>\$7,517,515</b>	<b>\$27,452,419</b>

**Note 16 - Jointly Governed Organization**

**Lake Geauga Computer Association** – The Lake Geauga Computer Association (the “LGCA”) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its 18 member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA’s continued existence is not dependent on West Geauga Local School District’s continued participation. To obtain financial information, write to Lake Geauga Computer Association, 8140 Auburn Road, Painesville, Ohio 44077.

**East Shore Regional Transportation System** – The East Shore Regional Transportation System (the “ESRTA”) is a jointly governed organization that was formed for the purpose of providing a transportation system for the handicapped children in the 16 member school districts. The transportation committee (governing board) consists of the superintendents of the member school districts. The degree of control exercised by West Geauga Local School District is limited to its representation on the governing board. The continued existence of ESRTA is not dependent on the School District’s continued participation. To obtain financial information, write to Kirtland Board of Education, 9252 Chillicothe Road, Kirtland, Ohio 44094.

**Ohio Schools’ Council** – The Ohio Schools Council Association (Council) is a jointly governed organization among eighty-two school districts. The jointly governed organization was formed to bring quality products and services at the lowest possible cost to the member districts. Each district supports the Council by paying an annual participation fee. The Council’s Board consists of seven superintendents of the participating districts whose term rotates every year. The degree of control exercised by any school district is limited to its representation on the Board. In fiscal year 1999, the School District paid \$700 to the Council. Financial information can be obtained by contacting Joseph Lesak, the Executive Secretary of the Ohio Schools Council at 155 Center Road, Bedford, Ohio 44146.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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The School District participates in the Council's electric 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 repurchase 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 School District is required to repay the savings to CEI and CEI will refund the remaining prepayment related to that participant to Energy Acquisition Corp.

**West Geauga Joint Recreation Council** – The West Geauga Joint Recreation Council (the "Council") is a jointly governed organization. The School District appoints one member of the six-member board. The purpose of the Council is to further athletic and recreational opportunities. The School District has not contributed to the Council in fiscal year 1999. The School District's degree of control is limited to its representation on the board. The Council's continued existence is not dependent on the School District's continued participation. To obtain financial information, write to West Geauga Joint Recreational Board, P. O. Box 384, Chesterland, Ohio 44026.

#### **Note 17 – Public Entity Risk Pool**

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

#### **Note 18 - 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. Litigation***

The School District is party to legal proceedings. The School District management is of the opinion that ultimate disposition of these legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

**Note 19 - School Foundation Money**

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 Ohio General Assembly 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. During the fiscal year ended June 30, 1999, the School District received \$3,446,801 of school foundation support for its general fund.

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 20 - Segment Information for Enterprise Funds**

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and adult education. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 1999.

	Food Service	Uniform School Supplies	Adult Education	Total
Operating Revenues	\$371,893	\$122,053	\$21,601	\$515,547
Depreciation	9,726	0	0	9,726
Operating Income (Loss)	(106,673)	8,256	(2,947)	(101,364)
Donated Commodities	14,854	0	0	14,854
Operating Grants	28,615	0	0	28,615
Net Income (Loss)	(12,907)	8,256	(2,947)	(7,598)
Net Working Capital	(26,703)	28,293	1,892	3,482
Total Assets	156,623	29,018	2,025	187,666
Total Equity	99,277	28,293	1,892	129,462
Encumbrances	0	115	0	115

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

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**Note 21 - Year 2000 Information**

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

West Geauga Local School District has completed an inventory of computer systems and other equipment necessary to conducting School District operations and has identified such systems as being financial reporting, payroll and grant reporting.

The Lake Geauga Computer Association State Software Development Team has indicated that:

"The payroll processing software supported with OECN State Software is compliant with the Year 2000."

"The accounting software is supported with the OECN State Software is compliant with the Year 2000."

"The education management information system software supported with OECN State Software is compliant with Year 2000."

"The equipment inventory and vehicle inventory system software supported with the OECN State Software will be compliant with the Year 2000, beginning with the March 1999 release of SAAS V2.1."

Geauga County collects property taxes for distribution to the West Geauga Local School District. Geauga County is responsible for remediating the tax collection system.

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

The Illuminating Company provides the electricity to the School District. The School District has not obtained assurances from the Illuminating Company regarding remediating this system. The Illuminating Company is responsible for remediating this system.

The East Ohio Gas Company (EOG) provides the natural gas to the School District. The School District has not obtained assurances from EOG regarding remediating this system. EOG is responsible for remediating this system.

To the best of management's knowledge and belief, as of January 20, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

**West Geauga Local School District**  
*Notes to the General Purpose Financial Statements*  
*For the Fiscal Year Ended June 30, 1999*

**Note 22 – Set Aside Calculations and Fund Reserves**

The School District is required by State statute to annually set aside 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 purpose in future years. The School District is also required to set-aside money for budget stabilization.

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

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Reserve</u>	<u>Total</u>
Set-aside balance carried forward July 1, 1998	\$0	\$0	\$94,826	
Current year set-aside requirement	243,556	243,556	0	
Qualifying expenditures	<u>175,151</u>	<u>298,593</u>	<u>0</u>	
Total	<u>\$68,405</u>	<u>(\$55,037)</u>	<u>\$94,826</u>	
Cash balance carried forward to FY 2000	<u>\$68,405</u>	<u>\$0</u>	<u>\$94,826</u>	163,231
Amount restricted for Bus Purchases				<u>65,535</u>
Total Restricted Assets				<u>\$228,766</u>

Although the School District had qualifying disbursements during the year that reduced the set-aside amounts to 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.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Lausche Building, 12<sup>th</sup> Floor  
615 Superior Avenue, NW  
Cleveland, Ohio 44113  
Telephone 216-787-3665  
800-626-2297  
Facsimile 216-787-3361  
www.auditor.state.oh.us

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

Board of Education  
West Geauga Local School District  
Gauga County  
8615 Cedar Road  
Chesterland, Ohio 44026

We have audited the financial statements of the West Geauga Local School District, Gauga County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 20, 2000, in which report we noted the District reclassified, by fund type, certain funds as of July 1, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted immaterial instances of non-compliance that we have reported to management of the District in a separate letter dated January 20, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 20, 2000.

This report is intended for the information and use of management, the Audit Committee and the Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is written in a cursive style with a large, sweeping initial "J".

**Jim Petro**  
Auditor of State

January 20, 2000



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

WEST GEauga LOCAL SCHOOL DISTRICT

GEAUGA 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: FEB 03 2000