

ASHTABULA AREA CITY SCHOOL DISTRICT

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND
AUDIT REPORTS**

**FOR THE YEAR JULY 1, 1999
THROUGH
JUNE 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

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Ashtabula Area City School District
404 W. 44th Street
Ashtabula, Ohio 44004

We have reviewed the Independent Auditor's Report of the Ashtabula Area City School District, Ashtabula County, prepared by S.R. Snodgrass, A.C., for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 26, 2001

Ashtabula Area City School District
General purpose Financial Statements and Audit Reports
For the Year Ended June 30, 2000

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SNODGRASS

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the accompanying general purpose financial statements of Ashtabula Area City School District (the "District"), as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Ashtabula Area City School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2001 on our consideration of Ashtabula Area City School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

S. R. Snodgrass, A.C

Ashtabula, Ohio
January 12, 2001

**Ashtabula Area City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2000**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals 2000	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Assets and Other Debits:										
Equity in Pooled Cash and Investments	\$ 245,319	1,413,696	0	1,284,407	16,012	900,973	98,669	0	0	\$ 3,959,076
Cash - Restricted	318,200	0	0	0	0	0	0	0	0	318,200
Taxes Receivable	6,689,653	0	0	2,930,818	0	0	0	0	0	9,620,471
Interfund Receivables	355,646	0	0	0	0	0	0	0	0	355,646
Intergovernmental Receivables	1,852	251,486	0	0	113,194	0	0	0	0	366,532
Accounts Receivable	340	0	0	0	0	32	0	0	0	372
Supply Inventory	169,588	0	0	0	3,445	0	0	0	0	173,033
Inventory for Resale	0	0	0	0	33,543	0	0	0	0	33,543
Property, Plant & Equipment	0	0	0	0	437,060	0	0	17,826,280	0	18,263,340
Accumulated Depreciation, Where Applicable	0	0	0	0	(190,218)	0	0	0	0	(190,218)
Amount to be Provided for Retirement of										
General Long Term Debt	0	0	0	0	0	0	0	0	3,369,275	3,369,275
Total Assets and Other Debits	<u>\$ 7,780,598</u>	<u>1,665,182</u>	<u>0</u>	<u>4,215,225</u>	<u>413,036</u>	<u>901,005</u>	<u>98,669</u>	<u>17,826,280</u>	<u>3,369,275</u>	<u>\$ 36,269,270</u>

(Continued)

Ashtabula Area City School District
Combined Balance Sheet
All Fund Types and Account Groups - Continued
June 30, 2000

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals 2000	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term Debt	(Memorandum) (Only)
Liabilities:										
Interfund Payables	\$ 0	39,594	0	50,000	266,052	0	0	0	0	\$ 355,646
Intergovernmental Payables	544,962	70,698	0	0	61,727	0	0	0	280,831	958,218
Accounts Payable	62,239	25,968	0	225,673	1,672	2,022	7,611	0	0	325,185
Claims Payable	0	0	0	0	0	783,505	0	0	0	783,505
Accrued Salaries and Benefits	2,518,827	460,759	0	0	17,871	0	0	0	0	2,997,457
Deferred Revenue	3,931,948	0	0	2,084,664	25,054	0	0	0	0	6,041,666
Capital Leases Payable	0	0	0	0	0	0	0	0	206,751	206,751
Due to Others	0	0	0	0	0	0	42,456	0	0	42,456
Notes Payable	0	0	0	0	0	0	0	0	550,000	550,000
Compensated Absences Payable	29,692	4,127	0	0	12,989	0	0	0	2,220,431	2,267,239
Early Retirement Incentive	94,873	0	0	0	213	0	0	0	111,262	206,348
Total Liabilities	7,182,541	601,146	0	2,360,337	385,578	785,527	50,067	0	3,369,275	14,734,471
Fund Equity and Other Credits:										
Investment in General Fixed Assets	0	0	0	0	0	0	0	17,826,280	0	17,826,280
Contributed Capital	0	0	0	0	31,736	0	0	0	0	31,736
Retained Earnings	0	0	0	0	(4,278)	115,478	1,724	0	0	112,924
Fund Balances:										
Reserved for Endowment	0	0	0	0	0	0	30,000	0	0	30,000
Reserved for Budget Stabilization	318,200	0	0	0	0	0	0	0	0	318,200
Reserved for Supply Inventory	169,588	0	0	0	0	0	0	0	0	169,588
Reserved for Encumbrances	134,499	69,014	0	207,829	0	0	0	0	0	411,342
Reserved for Future Appropriation	2,757,705	0	0	846,154	0	0	0	0	0	3,603,859
Unreserved Fund Balance	(2,781,935)	995,022	0	800,905	0	0	16,878	0	0	(969,130)
Total Fund Balances	598,057	1,064,036	0	1,854,888	0	0	46,878	0	0	3,563,859
Total Fund Balances/Retained Earnings and Other Credits	598,057	1,064,036	0	1,854,888	27,458	115,478	48,602	17,826,280	0	21,534,799
Total Liabilities, Fund Equity, and Other Credits	\$ 7,780,598	1,665,182	0	4,215,225	413,036	901,005	98,669	17,826,280	3,369,275	\$ 36,269,270

See Accompanying Notes to the General Purpose Financial Statement

Ashtabula Area City School District
Combined Statement of Revenue, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Debt Service	Fund Types Expendable Trust	(Memorandum) (Only)
REVENUES:					
Revenue from Local Sources:					
Taxes	\$ 8,096,430	0	215,035	2,129,636	0 \$ 10,441,101
Tuition	11,272	0	0	0	0 11,272
Transportation Fees	100,831	0	0	0	0 100,831
Earnings on Investments	315,504	3,711	0	0	137 319,352
Extracurricular Activities	0	261,665	0	0	0 261,665
Classroom Materials & Fees	0	210	0	0	0 210
Miscellaneous	24,106	43,995	0	0	3,097 71,198
Revenue from Intermediates Sources:					
Restricted Grant in Aid	0	32,000	0	0	0 32,000
Revenue in Lieu of Taxes	19,828	0	0	1,685	0 21,513
Revenue from State Sources:					
Unrestricted Grants-in-Aid	16,335,284	208,043	0	152,449	0 16,695,776
Restricted Grants-in-Aid	223,845	2,115,513	0	147,212	0 2,486,570
Revenue for/on Behalf of District	93,133	0	0	0	0 93,133
Revenue from Federal Sources:					
Unrestricted Grants-in-Aid	853	0	0	0	0 853
Restricted Grants-in-Aid	0	2,290,618	0	0	0 2,290,618
Total Revenue	25,221,086	4,955,755	215,035	2,430,982	3,234 32,826,092
EXPENDITURES:					
Instruction:					
Regular	12,981,181	1,804,785	0	334,877	1,050 15,121,893
Special	3,169,904	1,803,885	0	0	0 4,973,789
Vocational	324,697	898	0	0	0 325,595
Other	88,701	0	0	0	0 88,701
Supporting Services:					
Pupil	1,193,506	275,516	0	0	78 1,469,100
Instructional Staff	524,965	337,402	0	33,870	0 896,237
Board of Education	114,897	0	0	0	0 114,897
Administration	2,278,116	230,604	0	9,424	0 2,518,144
Fiscal Services	623,249	50,235	0	30,593	5,205 709,282
Business	386,997	38,779	0	164	0 425,940
Operation and Maintenance of Plant	2,748,756	40,970	0	0	0 2,789,726
Pupil Transportation	1,198,247	3,492	0	315,000	0 1,516,739
Central	12,944	36,391	0	0	0 49,335

(Continued)

Ashtabula Area City School District
Combined Statement of Revenue, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds - Continued
For the Fiscal Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Debt Service	Expendable Trust	(Memorandum Only)
EXPENDITURES:					
Operation of Non-Instructional Services:					
Community Services	\$ 0	222,082	0	0	\$ 222,082
Extracurricular Activities:					
Academic & Subject Oriented	25,807	150,183	0	0	175,990
Occupation Oriented Activities	0	5,194	0	0	5,194
Sports Oriented	313,171	155,896	0	0	469,067
Co-Curricular Activities	15,601	26,079	0	0	41,680
Capital Outlay:					
Site Improvement	436	0	0	69,554	69,990
Building Improvement	0	0	0	955,640	955,640
Debt Service:					
Principal Retirement	0	0	179,000	0	179,000
Interest & Fiscal Charges	0	0	37,526	0	37,526
Total Expenditures	26,001,175	5,182,391	216,526	1,749,122	33,155,547
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(780,089)	(226,636)	(1,491)	681,860	(329,455)
Other Financing Sources and Uses:					
Other Financing Sources					
Premium & Accrued Interest	0	0	190	0	190
Sale & Loss of Assets	3,516	0	0	0	3,516
Transfers-In	44,451	74,674	0	243,000	362,125
Other Revenues	14,978	0	0	0	14,978
Other Financing Uses					
Transfer-Out	(289,433)	(44,131)	0	(100,000)	(434,015)
Advances-Out	0	(2,340)	0	0	(2,340)
Other Expenses	(43,384)	(7,082)	0	0	(50,466)
Net Other Financing Sources and Uses	(269,872)	21,121	190	143,000	(106,012)
Excess (Deficiency) of Revenue Receipts and Other Sources Over Expenditure					
Disbursement and Other Uses	(1,049,961)	(205,515)	(1,301)	824,860	(435,467)
Increase (Decrease) Inventory	71,979	0	0	0	71,979
Beginning Fund Balance (As restated)	1,576,039	1,269,551	1,301	1,030,028	3,897,347
Ending Fund Balance	\$ 598,057	1,064,036	0	1,854,888	\$ 3,533,859

See Accompanying Notes to the General Purpose Financial Statements

Ashtabula Area City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds
For the Fiscal Year Ended June 30, 2000

	General Fund			Special Revenue Funds		
	Revised	Actual	Variance	Revised	Actual	Variance
	Budget		Favorable (Unfavorable)	Budget		Favorable (Unfavorable)
Revenues:						
Taxes	\$ 7,994,417	8,036,298	41,881	0	0	\$ 0
Tuition	38,805	38,805	0	0	0	0
Transportation Fees	96,647	105,713	9,066	0	0	0
Earnings on Investment	315,000	315,504	504	3,647	3,711	64
Extracurricular Activities	0	0	0	291,411	261,665	(29,746)
Classroom Materials & Fees	0	0	0	5,500	210	(5,290)
Miscellaneous	25,400	24,250	(1,150)	50,729	43,995	(6,734)
Restricted Grants-in-Aid	0	0	0	32,400	32,400	0
Revenue in Lieu of Taxes	19,828	19,828	0	0	0	0
State Unrestricted Grants-in-Aid	16,295,910	16,335,284	39,374	275,000	233,552	(41,448)
State Restricted Grants-in-Aid	223,845	223,845	0	2,219,114	2,115,513	(103,601)
Revenue for/on Behalf of District	105,416	92,133	(13,283)	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	2,600,175	2,241,525	(358,650)
Total Revenue	25,115,268	25,191,660	76,392	5,477,976	4,932,571	(545,405)
Expenditures:						
Regular Instruction	12,982,822	12,979,559	3,263	2,049,256	1,758,590	290,666
Special Instruction	3,206,728	3,202,699	4,029	2,182,695	1,825,027	357,668
Vocational Instruction	324,552	324,526	26	2,590	898	1,692
Other Instruction	88,300	88,262	38	0	0	0
Support Services-Pupils	1,194,670	1,192,093	2,577	338,000	289,842	48,158
Support Services-Instructional Staff	557,322	541,086	16,236	462,867	339,295	123,572
Support Services-Board of Education	119,948	114,610	5,338	0	0	0
Support Services-Administration	2,307,704	2,297,602	10,102	288,359	234,272	54,087
Fiscal Services	507,253	496,577	10,676	62,510	50,235	12,275
Support Services-Business	397,915	394,946	2,969	38,400	38,400	0
Operation & Maintenance-Plant	2,807,967	2,804,973	2,994	159,699	39,961	119,738
Support Services-Transportation	1,222,321	1,221,840	481	4,644	4,617	27
Support Services-Central	15,314	15,313	1	37,402	37,370	32
Community Services	0	0	0	296,383	241,258	55,125
Academic & Subject Oriented	26,418	25,968	450	206,876	157,973	48,903
Occupation Oriented Activities	0	0	0	6,401	5,282	1,119
Sports Oriented	315,233	315,122	111	202,391	167,358	35,033
Co-Curricular Activities	15,704	15,699	5	39,260	26,294	12,966
Site Improvement	436	436	0	0	0	0
Building Improvement	55,800	55,800	0	100,000	0	100,000
Repayment of Debt	0	0	0	0	0	0
Total Expenditures	26,146,407	26,087,111	59,296	6,477,733	5,216,672	1,261,061
Excess of Revenue Over (Under) Expenditures	(1,031,139)	(895,451)	135,688	(999,757)	(284,101)	715,656
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	0	0	0
Proceeds from Notes	0	0	0	0	0	0
Sale & Loss of Assets	5,516	3,516	(2,000)	0	0	0
Transfer-In	44,451	44,451	0	85,692	74,674	(11,018)
Advances-In	0	268,910	268,910	0	39,594	39,594
Refund of Prior Years Expenditures	11,016	15,053	4,037	38,505	38,505	0
Transfer-Out	(289,450)	(289,433)	17	(44,131)	(44,131)	0
Advances-Out	0	(355,646)	(355,646)	0	(15,800)	(15,800)
Refund of Prior Years Receipts	(43,384)	(43,384)	0	(7,097)	(7,097)	0
Total Other Sources (Uses)	(271,851)	(356,533)	(84,682)	72,969	85,745	12,776
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,302,990)	(1,251,984)	51,006	(926,788)	(198,356)	728,432
Beginning Fund Balance (As restated)	1,136,397	1,136,397	0	1,371,010	1,371,010	0
Prior Year Carry Over Encumbrances	483,419	483,419	0	149,373	149,373	0
Ending Fund (Deficit) Balance	\$ 316,826	367,832	51,006	593,595	1,322,027	\$ 728,432

(Continued)

Ashtabula Area City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds - Continued
For the Fiscal Year Ended June 30, 2000

	Debt Service Funds			Capital Project Fund		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 215,035	215,035	0	1,455,819	1,464,224	\$ 8,405
Tuition	0	0	0	0	0	0
Transportation Fees	0	0	0	0	0	0
Earnings on Investment	0	0	0	0	0	0
Extracurricular Activities	0	0	0	0	0	0
Classroom Materials & Fees	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0
Restricted Grants-in-Aid	0	0	0	0	0	0
Revenue in Lieu of Taxes	0	0	0	1,685	1,685	0
State Unrestricted Grants-in-Aid	0	0	0	152,449	152,449	0
State Restricted Grants-in-Aid	0	0	0	369,815	147,212	(222,603)
Revenue for/on Behalf of District	0	0	0	0	0	0
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	0	0	0
Total Revenue	215,035	215,035	0	1,979,768	1,765,570	(214,198)
Expenditures:						
Regular Instruction	0	0	0	623,960	402,866	221,094
Special Instruction	0	0	0	1,000	0	1,000
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	43,061	34,208	8,853
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	35,500	9,424	26,076
Fiscal Services	0	0	0	35,100	30,643	4,457
Support Services-Business	0	0	0	7,506	164	7,342
Operation & Maintenance-Plant	0	0	0	30,000	0	30,000
Support Services-Transportation	0	0	0	315,000	315,000	0
Support Services-Central	0	0	0	0	0	0
Community Services	0	0	0	0	0	0
Academic & Subject Oriented	0	0	0	0	0	0
Occupation Oriented Activities	0	0	0	0	0	0
Sports Oriented	0	0	0	0	0	0
Co-Curricular Activities	0	0	0	0	0	0
Site Improvement	0	0	0	138,575	71,554	67,021
Building Improvement	0	0	0	1,717,108	1,054,238	662,870
Repayment of Debt	216,527	216,527	0	0	0	0
Total Expenditures	216,527	216,527	0	2,946,810	1,918,097	1,028,713
Excess of Revenue Over (Under) Expenditures	(1,492)	(1,492)	0	(967,042)	(152,527)	814,515
Other Financing Sources (Uses):						
Premium & Accrued Interest	190	190	0	0	0	0
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	243,000	243,000	0
Advances-In	0	0	0	0	50,000	50,000
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	(100,000)	(100,000)	0
Advances-Out	0	0	0	0	(46,800)	(46,800)
Refund of Prior Years Receipts	0	0	0	0	0	0
Total Other Sources (Uses)	190	190	0	143,000	146,200	3,200
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,302)	(1,302)	0	(824,042)	(6,327)	817,715
Beginning Fund Balance (As restated)	1,302	1,302	0	835,383	835,383	0
Prior Year Carry Over Encumbrances	0	0	0	132,149	132,149	0
Ending Fund (Deficit) Balance	\$ 0	0	0	143,490	961,205	\$ 817,715

(Continued)

Ashtabula Area City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Funds - Continued
For the Fiscal Year Ended June 30, 2000

	Expendable Trust Fund			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
Revenues:						
Taxes	\$ 0	0	0	9,665,271	9,715,557	\$ 50,286
Tuition	0	0	0	38,805	38,805	0
Transportation Fees	0	0	0	96,647	105,713	9,066
Earnings on Investment	160	137	(23)	318,807	319,352	545
Extracurricular Activities	0	0	0	291,411	261,665	(29,746)
Classroom Materials and Fees	0	0	0	5,500	210	(5,290)
Miscellaneous	4,585	3,097	(1,488)	80,714	71,342	(9,372)
Restricted Grants-in-Aid	0	0	0	32,400	32,400	0
Revenue in Lieu of Taxes	0	0	0	21,513	21,513	0
State Unrestricted Grants-in-Aid	0	0	0	16,723,359	16,721,285	(2,074)
State Restricted Grants-in-Aid	0	0	0	2,812,774	2,486,570	(326,204)
Revenue for/on Behalf of District	0	0	0	105,416	92,133	(13,283)
Federal Unrestricted Grants-in-Aid	0	0	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	2,600,175	2,241,525	(358,650)
Total Revenue	4,745	3,234	(1,511)	32,792,792	32,108,070	(684,722)
Expenditures:						
Regular Instruction	1,050	1,050	0	15,657,088	15,142,065	515,023
Special Instruction	0	0	0	5,390,423	5,027,726	362,697
Vocational Instruction	0	0	0	327,142	325,424	1,718
Other Instruction	0	0	0	88,300	88,262	38
Support Services-Pupils	1,175	78	1,097	1,533,845	1,482,013	51,832
Support Services-Instructional Staff	0	0	0	1,063,250	914,589	148,661
Support Services-Board of Education	0	0	0	119,948	114,610	5,338
Support Services-Administration	0	0	0	2,631,563	2,541,298	90,265
Fiscal Services	5,500	5,478	22	610,363	582,933	27,430
Support Services-Business	0	0	0	443,821	433,510	10,311
Operation & Maintenance-Plant	0	0	0	2,997,666	2,844,934	152,732
Support Services-Transportation	0	0	0	1,541,965	1,541,457	508
Support Services-Central	0	0	0	52,716	52,683	33
Community Services	600	0	600	296,983	241,258	55,725
Academic & Subject Oriented	0	0	0	233,294	183,941	49,353
Occupation Oriented Activities	0	0	0	6,401	5,282	1,119
Sports Oriented	400	0	400	518,024	482,480	35,544
Co-Curricular Activities	0	0	0	54,964	41,993	12,971
Site Improvement	0	0	0	139,011	71,990	67,021
Building Improvement	0	0	0	1,872,908	1,110,038	762,870
Repayment of Debt	0	0	0	216,527	216,527	0
Total Expenditures	8,725	6,606	2,119	35,796,202	33,445,013	2,351,189
Excess of Revenue Over (Under) Expenditures	(3,980)	(3,372)	608	(3,003,410)	(1,336,943)	1,666,467
Other Financing Sources (Uses):						
Premium & Accrued Interest	0	0	0	190	190	0
Sale & Loss of Assets	0	0	0	5,516	3,516	(2,000)
Transfer-In	0	0	0	373,143	362,125	(11,018)
Advances-In	0	0	0	0	358,504	358,504
Refund of Prior Years Expenditures	0	0	0	49,521	53,558	4,037
Transfer-Out	(451)	(451)	0	(434,032)	(434,015)	17
Advances-Out	0	0	0	0	(418,246)	(418,246)
Refund of Prior Years Receipts	0	0	0	(50,481)	(50,481)	0
Total Other Sources (Uses)	(451)	(451)	0	(56,143)	(124,849)	(68,706)
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,431)	(3,823)	608	(3,059,553)	(1,461,792)	1,597,761
Beginning Fund Balance (As restated)	20,701	20,701	0	3,364,793	3,364,793	0
Prior Year Carry Over Encumbrances	0	0	0	764,941	764,941	0
Ending Fund (Deficit) Balance	\$ 16,270	16,878	608	1,070,181	2,667,942	\$ 1,597,761

See Accompanying Notes to the General Purpose Statements

Ashtabula Area City School District
Combined Statement of Revenues, Expenses and Changes in Retained Earnings
All Proprietary Fund Types and Similar Fiduciary Funds
For the Fiscal Year Ended June 30, 2000

	Proprietary		Fiduciary	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Fund	
Operating Revenues:				
Sales	\$ 469,570	0	0	\$ 469,570
Extracurricular Activities	0	5,901	0	5,901
Classroom Materials & Fees	2,013	0	0	2,013
Charges for Services	0	3,411,655	0	3,411,655
Total Operating Revenue	471,583	3,417,556	0	3,889,139
Operating Expenses:				
Salary and Wages	605,409	0	0	605,409
Employee Benefits	372,032	0	0	372,032
Purchase Services	30,487	299,668	0	330,155
Supplies and Materials	563,723	2,032	0	565,755
Other Expenses	1,753	3,904,339	1,476	3,907,568
Depreciation	9,843	0	0	9,843
Total Operating Expenses	1,583,247	4,206,039	1,476	5,790,762
Operating Income (Loss)	(1,111,664)	(788,483)	(1,476)	(1,901,623)
Non-Operating Revenues:				
Earnings On Investments	0	0	1,724	1,724
Miscellaneous	0	1,605	0	1,605
State Unrestricted Grants-In-Aid	56,150	0	0	56,150
Federal Unrestricted Grants In-Aid	754,274	0	0	754,274
Federal Restricted Grants-in-Aid	75,449	0	0	75,449
Total Non-Operating Revenue	885,873	1,605	1,724	889,202
Net Income (Loss) Before Oper. Transfers	(225,791)	(786,878)	248	(1,012,421)
Transfers-In	61,640	0	0	61,640
Total Transfers	61,640	0	0	61,640
Net Income (Loss)	(164,151)	(786,878)	248	(950,781)
Beginning Retained Earnings	159,873	902,356	31,476	1,093,705
Ending Retained Earnings	(4,278)	115,478	31,724	142,924
Net Contributed Capital	31,736	0	0	31,736
Total Fund Equity	\$ 27,458	115,478	31,724	\$ 174,660

See Accompanying Notes to the General Purpose Financial Statements

Ashtabula Area City School District
Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Funds
For the Fiscal Year Ended June 30, 2000

	Proprietary		Fiduciary	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non-Expendable Trust Fund	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (1,111,665)	(788,483)	(1,476)	\$ (1,901,624)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	9,844	0	0	9,844
Net (Increase) Decrease in Assets:				
Due from Other Governments	34,625	0	0	34,625
Accounts Receivable	250	106	0	356
Inventory	(48)	0	0	(48)
Net Increase (Decrease) in Liabilities:				
Due to Other Government	57,534	0	0	57,534
Due to Other Funds	266,052	0	0	266,052
Accounts Payable	671	919	0	1,590
Claims Payable	0	229,653	0	229,653
Accrued Wages & Benefits	7,467	0	0	7,467
Deferred Revenue	2,293	0	0	2,293
Other	(2,894)	0	0	(2,894)
Total Adjustments	375,794	230,678	0	606,472
Net Cash Used in Operating Activities	(735,871)	(557,805)	(1,476)	(1,295,152)
Cash Flows from Investing Activities:				
Miscellaneous	0	1,605	0	1,605
Earnings on Investments	0	0	1,723	1,723
Net Cash Provided by Investing Activities	0	1,605	1,723	3,328
Cash Flows from Noncapital Activities				
Net of Advances from Other Funds	(206,310)	0	0	(206,310)
Operating Grants from State Sources	56,150	0	0	56,150
Operating Grants from Federal Sources	829,723	0	0	829,723
Transfers from Other Funds	61,640	0	0	61,640
Other	0	0	0	0
Net Cash Provided by Noncapital Financing Sources	741,203	0	0	741,203
Cash Flows from Capital Financing Activities:				
Other Expenses	0	0	0	0
Acquisition of Capital Assets	(3,187)	0	0	(3,187)
Loss on Disposal of Capital Assets	0	0	0	0
Net Cash Provided by Capital Financing Sources	(3,187)	0	0	(3,187)
Net Increase (Decrease) in Cash & Cash Equivalents	2,145	(556,200)	247	(553,808)
Cash and Cash Equivalents at Beginning of Year	13,867	1,457,173	31,477	1,502,517
Cash and Cash Equivalents at End of Year	<u>\$ 16,012</u>	<u>900,973</u>	<u>31,724</u>	<u>\$ 948,709</u>

See Accompanying Notes to The General Purpose Financial Statements

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Average daily membership (ADM) as of October 1, 1999, was 4,907. The District employed 29 administrative and supervisory personnel, 387 certified employees and 256 non-certificated employees. The District provides regular, vocational and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisition and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services.

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

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

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organizations's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

The township governments of Ashtabula, Plymouth and Saybrook are each a separate body politic and corporate. Three trustees for each township are elected independent of any school district relationships and administer the provision of traditional services. The trustees act as the taxing and budgeting authority for these services.

The city government of Ashtabula, which is within the boundaries of the District, is a separate body politic and corporate. A City Manager and council are elected independent of any school district relationships and administer the provision of traditional city services. Council acts as the taxing and budgeting authority for these city services.

The Ashtabula County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide for the vocational and special education needs of the students. Its board of education is appointed by the representative school districts. The District is not involved in the budgeting or management of the Ashtabula County Joint Vocational School District. The District's students may attend the vocational school.

The District is not involved in the budgeting or management of Parent Teacher Associations or booster clubs. The District is also not responsible for any debt and has no influence over the organization or clubs.

Within the District's boundaries, Sts. John and Paul School K-12, is operated through the Youngstown Catholic Diocese. Northeast Academy is operated as independent non-public school chartered by the Ohio Department of Education. Current state legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the treasurer of the District, as directed by the schools. The accounting for these state monies is reflected as a special revenue fund of the District.

The Ashtabula County Public Library is a separate body politic of the State of Ohio which provides the community with various educational and literary resources governed by a board of trustees. The Board of Education does not exercise influence over its daily operation, participate in fiscal management or scope of public service, provide financial support, or hold accountability for fiscal services.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education does upon recommendation of the Trustees, by resolution, appoint new Trustees.

The District is a participating member of the Northeast Ohio Management Information Network (NEOMIN). NEOMIN provides data services needed by the participating school districts. The Trumbull County Board of Education serves as the fiscal agent. This is a jointly governed organization, and the District's participation is discussed in Note 16 to the General Purpose Financial Statements.

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

B. Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

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

Governmental Fund Types

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

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

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

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

Capital Project Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital assets or facilities (other than those financed by proprietary funds and trust funds).

Proprietary Fund Types

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

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

Internal Service Funds - These funds account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

Fiduciary Fund Types

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

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

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

Agency Funds - These funds are purely custodial and thus do not involve measurement of results of operations.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

Account Groups

Account Groups are financial reporting devices to provide accountability for certain assets and liabilities that are not recorded in the funds (i.e., governmental funds only) because they do not affect expendable available financial resources. The following are the District's account groups:

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financial 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 operations 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 all Governmental Fund Types, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "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 District uses 60 days past the end of the fiscal year as the available period.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: property taxes, investment earnings, tuition, grants and entitlements, and accounts (student fees and rent).

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

The District reports deferred revenues of governmental funds on its combined balance sheet when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the occurrence of qualifying expenditures. 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, 2000 which are intended to finance fiscal year 2001 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. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year, and the costs of accumulated unpaid vacation and sick leave are reported as fund liabilities in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocation 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.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

D. Budget and Budgetary Accounting

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 appropriation resolution are subject to amendments through the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated, the primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

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 Ashtabula 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 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 District Treasurer. The amounts reported in the budgetary statement reflect the amounts in the final Amended Certificate issued during fiscal year 2000.

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 must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenditures of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions, 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, consistent with statutory provisions.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

E. Cash and Investments

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

During the fiscal year all investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and one-day repurchase agreements.

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the fiscal year amounted to \$315,504.

For the District, all investment earnings accrue to the General Fund, Auxiliary Service Fund, one Expendable and one Non-Expendable Trust Fund as authorized by board resolution. Interest income earned in fiscal year 2000 totaled \$321,076.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

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

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after a two-thirds vote of the board of education and receiving approval from the State Superintendent of Public Instruction for the replenishment of the reserve. A fund balance reserve has also been established.

G. Inventories

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

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded using the nonallocation method. Payments for the prepaid items or deferrals are fully recognized as an expenditure in the year of payment. Under the nonallocation method no asset for the prepayment or deferral is created, and no expenditure allocation to future accounting periods is required.

I. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

Infrastructure fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized by Ashtabula Area City Schools and are not reported as part of the General Fixed Assets Account Group.

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

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

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis and entitlements, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable. Grants and entitlements amounted to approximately 68% of the District's revenue during the 2000 fiscal year.

K. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." Short-term interfund loans are classified as "interfund receivables/payables." At June 30, 2000, the District had short-term interfund loans in the amount of \$355,646.

L. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicated that they do not constitute expendable available financial resources and therefore are not available for appropriation. At June 30, 2000 the District had no long-term interfund loans.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

M. Compensated Absences

The District accounts for compensated absences in accordance with GASB Statement No. 16.

Sick leave and other compensated absences with similar characteristics should be accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. To calculate the liability, these accumulations should be reduced to the maximum amount allowed as a termination payment. Accruals for those employees who are expected to become eligible in the future should be based on assumptions concerning the probability that individual employees or class or group of employees will become eligible to receive termination payments. This method is known as the vesting method.

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

For governmental funds, the District records a liability for accumulated unused vacation time when earned. 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 accumulated unpaid leave are paid. The remainder is reported in the general long-term debt account group. In proprietary funds, the entire amount of compensated absences are recorded as an expense and liability as the benefits accrue to the employee.

N. Contributed Capital

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. The assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expended and closed to unreserved retained earnings at year end. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources. At June 30, 2000, the District had \$31,736 in contributed capital.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 1. Summary of Significant Accounting Policies (continued)

O. Long-Term Obligations

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

P. Interfund Transactions

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

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

Q. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for endowment, budget stabilization, inventory and encumbrances.

R. Estimates

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

S. Memorandum Only - Total Columns

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 2. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance 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 Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and 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).
3. Encumbrances are treated as expenditures/expenses for all funds (budget) rather than as a reservation of fund balance for governmental fund types (GAAP).
4. Proceeds from a principal payment on short-term note obligations are reported on the operating statement (budget) rather than on the balance sheet (GAAP).

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

**Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
Governmental Fund Types and Expendable Trust Funds**

	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ (1,049,961)	(205,515)	(1,301)	824,860	\$ (3,550)
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenue Accruals	(29,426)	(23,184)	0	(665,412)	0
Due to Expenditures:					
Net Adjustment to Expenditure Accruals	(85,936)	(34,281)	(1)	(168,975)	(273)
Due to Other Sources/Uses	(86,661)	64,624	0	3,200	0
Budget Basis	<u>\$ (1,251,984)</u>	<u>(198,356)</u>	<u>(1,302)</u>	<u>(6,327)</u>	<u>\$ (3,823)</u>

Notes to the General Purpose Financial Statements
June 30, 2000

Note 3. Equity in Pooled Cash and Investments

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

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

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

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

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

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 3. Equity in Pooled Cash and Investments (continued)

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits At fiscal year end, the carrying amount of the District's deposits was (\$59,173) and the bank balance was \$325,462, of which \$100,000 was covered by federal depository insurance. The remaining amounts were protected by qualified securities pledged by the institution holding the assets. By law, financial institutions may establish a collateral pool to cover all public deposits. The face value of the pooled collateral must equal at least 110 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 3. Equity in Pooled Cash and Investments (continued)

department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the District's name. The District's investments in STAR Ohio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	Category			Carrying Value	Fair Value
	1	2	3		
Repurchase Agreement	\$ 0	\$ 0	\$ 1,879,228	\$ 1,879,228	\$ 1,879,228
STAR Ohio				2,457,099	2,457,099
Total Investments				<u>\$ 4,336,327</u>	<u>\$ 4,336,327</u>

The classification of equity in pooled cash and investments on the combined financial statements represents cash and cash equivalents as defined in GASB Statement No. 9, entitled *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,277,276	
Investments:		
Repurchase Agreement	(1,879,228)	\$ 1,879,228
STAR Ohio	(2,457,099)	2,457,099
Total	(59,048)	4,336,327
Cash on Hand	(125)	0
GASB Statement No. 3	<u>\$ (59,173)</u>	<u>\$ 4,336,327</u>

Notes to the General Purpose Financial Statements
June 30, 2000

Note 4. Property Taxes

Property taxes are levied, assessed and collected on a calendar year basis. They include amounts levied against all real, public utility, and tangible personal property located in the District. Taxes collected on real property (other than public utility) in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every three years. The last revaluation was completed in 1999. Real property taxes are payable annually or semi-annually.

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

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

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

The full tax rate at the fiscal year ending June 30, 2000, for operations was \$44.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2000 taxes were collected were as follows:

Real Property	\$	293,707,240
Public Utility Personal Property		38,539,540
Tangible Personal Property		48,110,130
Total Assessed Value	\$	<u>380,356,910</u>

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to

Notes to the General Purpose Financial Statements
June 30, 2000

Note 4. Property Taxes (continued)

deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2000 was \$2,757,705 in General Fund and \$846,154 in Capital Project Funds.

Note 5. Receivables

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

A summary of the principal items of intergovernmental receivables follows:

General Fund:	
Excess Costs	\$ 852
Due from State of Ohio	1,000
Total General Fund	<u>1,852</u>
Special Revenue Funds:	
CAFS	50,865
Title II	9,708
Title VI-B	45,902
Title I	138,784
Title VI	6,227
Total Special Revenue Funds	<u>251,486</u>
Proprietary Funds:	
State & Federal Reimbursements	113,194
Total Proprietary Funds	<u>113,194</u>
	<u><u>\$ 366,532</u></u>

Note 6. Risk Management

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

Notes to the General Purpose Financial Statements
June 30, 2000

Note 6. Risk Management (continued)

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the aggregate. Other liability insurance includes \$25,000 for the district superintendent and \$50,000 for the district treasurer. Additionally the district has commercial crime coverage of \$10,000.

The District maintains fleet insurance in the amount of \$1,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$64,034,300. Other property insurance includes \$1,543,212 for musical instrument, related equipment and accessories and electronic data processing hardware. The District participates in the Workers' Compensation Program provided by the State of Ohio.

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs.

This self-insurance fund was established January 1994, for the purpose of accumulating balances sufficient to self-insure basic medical, dental, vision, and prescription drug coverage and permit excess umbrella coverage for claims over a pre-determined level. Board and employee premium contributions are determined by negotiated agreement. Amounts are paid into this fund from the General Fund, Lunchroom Fund, and certain Special Revenue Funds (Grants). Claims payments are made on an as-incurred basis, thus no "reserve" remains with the insurance carrier. Stop loss coverage of \$75,000 is carried by the District for each individual employee. In addition, an aggregate pooling limit is insured at \$2,500,000. Expenses for claims are recorded as other expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of loss can be reasonably estimated. The basis for estimating the liability for claims incurred but not yet paid is based on past experience and documentation obtained by the insurance carrier. Changes in the fund's claims liability for the last three years are as follows:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Balance End of Year
FY 1998	\$ 304,913	3,170,871	(3,088,069)	\$ 387,715
FY 1999	\$ 387,715	4,007,434	(3,841,297)	\$ 553,852
FY 2000	\$ 553,852	3,903,839	(3,674,186)	\$ 783,505

Monies are provided from each fund based on a per-employee charge and are recorded as charges for services in the Self-Insurance Fund and as an expenditure in the disbursing fund. The following is a summary of payments made to the Self-Insurance Fund by fund type:

Notes to the General Purpose Financial Statements
June 30, 2000

Note 6. Risk Management (continued)

General Fund	\$ 2,630,632
Special Revenue Funds	549,257
Enterprise Funds	152,356
Total Contributed by Funds	<u>3,332,245</u>
Employee Contributions	60,182
Total Contributions	<u><u>\$ 3,392,427</u></u>

An actuarial valuation of claim liability and funded status for the period ended December 31, 1999, reported reserved funds available to pay incurred but not reported claims of that date are \$1,581,078. It is thus concluded that minimum requirement under interpretation of Section 9.833 of the Ohio Revised Code are satisfied.

Note 7. Employee Retirement Systems

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$710,554, \$648,259, and \$632,875, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$355,278, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible

Notes to the General Purpose Financial Statements
June 30, 2000

Note 7. Employee Retirement Systems (continued)

service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$2,255,302, \$2,051,462, and \$1,915,928, respectively; 65 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$789,356, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System /State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 8. Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$1,288,744 for fiscal year 2000. STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 million at June 30, 1999 (the latest information available). For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 eligible benefit recipients.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 8. Postemployment Benefits (continued)

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

For the fiscal year ended June 30, 2000, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase of 2.2 percent from fiscal year 1999. 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 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$104,121 during the 2000 fiscal year.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

Note 9. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from board policy, negotiated agreements and State laws. The Superintendent, Treasurer, twelve (12) month Administrators and twelve (12) month classified employees earn vacation. Classified employees accumulate vacation based on the following factors:

Length of Service	Vacation Leave
After 1 Year	2 Weeks
After 7 Years	3 Weeks
After 17 Years	4 Weeks

In addition to the vacation schedule above, classified employees having served the District continuously for more than nineteen (19) years shall be entitled to one (1) additional day for each complete year served in the District in excess of nineteen (19) years.

Vacations for classified employees can be taken any time during the year, but no more than five (5) weeks are to be taken in succession. Employees may carry over a maximum of ten (10) days from one year to the next.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 9. Compensated Absences (continued)

The Superintendent earns 25 days vacation per year. All or part of vacation leave accrued but unused at the end of any contract year (July 31) may be exchanged for cash, at the option of the Superintendent, at his current per diem pay rate. All vacation leave which is accrued and unused and which is not exchanged for cash, shall be accumulated and carried forward from year to year under the current contract.

The Treasurer earns 25 days vacation per year and may carry over 30 days from one year to the next.

The twelve (12) month Administrators earn 20 days vacation per year and may carry over 10 days from one year to the next.

Vacation Pay: All twelve (12) month classified employees may choose to be paid for any and all earned vacation days in lieu of time off at the rate that would have been paid to a substitute.

Sick Leave: Each employee earns sick leave at the rate of one and one-fourth days per month. Sick Leave has an unlimited accumulation of days for certificated personnel and classified personnel.

Service Retirement: Upon retirement, employees shall receive in one lump sum, one-fourth (1/4) of the accumulated sick leave days up to a maximum of fifty (56) days for classified personnel and one-fourth (1/4) of accrued, unused sick leave days for certificated personnel multiplied times the per diem rate at the time of retirement.

Retirement Incentive Plan: The Board offers a retirement incentive plan to those certificated employees who are eligible to retire with 30 years of service credit in accordance with the rules and regulations established by the STRS and other qualifications per the negotiated agreement.

The plan is as follows:

1. The R.I. payment shall be equal to 20% (25% for retirees employed for 30 years or more) of the retirees placement on the salary schedule for the last full school year worked.
2. The R.I. payment shall be made the first certificated pay in January of the following calendar year.
3. The Severance payment shall be made the first certificated pay in January in the calendar year following the R.I. payment.

The first time an employee meets the criteria for the R.I. Plan as outlined above is the only time the plan is offered to an employee. The plan duration covers employees eligible to retire at the end of the 1994/95 school year through employees eligible to retire prior to the beginning of the 1999/00 school year.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 10. Interfund Transactions

At June 30, 2000, the District had short-term interfund loans which are classified as "interfund receivables/payables." An analysis of interfund balances is as follows:

	Interfund Receivables	Interfund Payables	
General Fund	\$ 355,646	\$ 0	
Special Revenue Funds	0	39,594	
Capital Project Funds	0	50,000	
Enterprise Funds	0	266,052	
	\$ 355,646	\$ 355,646	

A summary of interfund (operating) transfers made during 2000 by fund is as follows:

	Transfers Out	Transfers In	
General Fund	\$ 289,433	\$ 44,451	
Special Revenue Funds	44,131	74,674	
Capital Projects Funds	100,000	243,000	
Enterprise Funds	0	61,640	
Internal Service Funds	0	0	
Trust & Agency Funds	2,096	11,895	
	\$ 435,660	\$ 435,660	

Note 11. Contingencies

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 11. Contingencies(continued)

B. Litigation

The District is a defendant in legal proceedings pertaining to matters which are incidental to performing routine governmental and other functions. Based on the status of these legal proceedings, it is the opinion of management and legal counsel that the ultimate resolution of such will result in no significant exposure to the District.

Note 12. General Long-Term Debt

A summary of changes in long-term obligations for the year ended June 30, 2000, are as follows:

	Balance			Balance June 30, 2000
	July 1, 1999	Additions	Deletions	
Intergovernmental Payable	\$ 213,302	280,831.	213,302	\$ 280,831
Capital Leases Payable	0	206,751	0	206,751
General Obligation Notes Payable	729,000	0	179,000	550,000
Compensated Absences Payable	2,104,724	115,707	0	2,220,431
Early Retirement Incentive	27,253	84,009	0	111,262
Total General Long-Term Obligations	<u>\$ 3,074,279</u>	<u>687,298</u>	<u>392,302</u>	<u>\$ 3,369,275</u>

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

Outstanding general obligation notes in the amount of \$165,000 relate to a project in 1992, for which notes were issued to purchase and install energy conservation measures. These notes mature December 1, 2002, and are unvoted notes authorized by House Bill 264 which was legislation enacted by the Ohio General Assembly.

On August 12, 1992, the Board of Education authorized the issuance of the notes in the maximum amount of \$535,000. The notes were dated June 1, 1992, for \$535,000 and mature in semi-annual installments through December 1, 2002, with interest payable at 6.40%.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 12. General Long-Term Debt (continued)

The annual maturities of the general obligation notes for Energy Conservation measures as of June 30, 2000, and related interest payments are as follows:

	Payment	Interest	Principal
FY2001	69,600	9,600	60,000
FY2002	75,600	5,600	70,000
FY2003	36,120	1,120	35,000
	<u>\$ 181,320</u>	<u>\$ 16,320</u>	<u>\$ 165,000</u>

Outstanding general obligation notes in the amount of \$130,000 relate to the District's entering into the Ohio School Districts 1997 School Bus Borrowing Program for the acquisition of six (6) school buses. These notes mature April 15, 2002 and are unvoted notes authorized by ORC 3327.08.

On February 27, 1997 the Board of Education authorized the issuance of the notes in the maximum amount of \$300,000. The notes were dated June 1, 1997 for \$300,000 and mature annually through April 15, 2002, with interest payable at 5.2838%.

The annual maturities of the general obligation notes for the purchase of school buses as of June 30, 2000 and related interest payments are as follows:

	Payment	Interest	Principal
FY2001	69,892	6,892	63,000
FY2002	70,585	3,585	67,000
	<u>\$ 140,477</u>	<u>\$ 10,477</u>	<u>\$ 130,000</u>

Outstanding general obligation notes in the amount of \$255,000 relate to the district's entering into the Ohio School Districts 1999 School Bus Borrowing Program for the acquisition of six (6) school buses. These notes mature April 15, 2004 and are unvoted notes authorized by ORC 3327.08

On June 7, 1999 the Board of Education authorized the issuance of the notes in the maximum amount of \$315,000. The notes were dated June 1, 1999 for \$315,000 and mature annually through April 15, 2004 with interest payable at 5.141145%.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 12. General Long-Term Debt (continued)

	Payment	Interest	Principal
FY2001	73,103	13,103	60,000
FY2002	70,043	10,043	60,000
FY2003	71,953	6,953	65,000
FY2004	73,605	3,605	70,000
	<u>\$ 288,704</u>	<u>\$ 33,704</u>	<u>\$ 255,000</u>

The Ohio Revised Code 133.06 stipulates that the principal amount of a District's unvoted debt may not exceed nine tenths of one percent of its tax valuation, and the total net unvoted debt of the district shall not exceed one percent of the District's tax valuation. The District's energy conservation notes and school bus acquisition notes stand within these statutory limitations as prescribed by ORC 133.06

Note 13. Capital Leases

During the year ended June 30, 2000, the District entered into a lease agreement for six copiers. The lease obligation meets the criteria of a capital lease, as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases", and has been recorded in the general long-term obligations account group. The agreement provides for minimum annual rental payments as follows:

	Payment
2001	\$ 49,443
2002	49,443
2003	49,443
2004	49,443
2005	49,441
Total minimum lease payments	247,213
Less amount representing interest	(40,462)
Present value of minimum lease payments	\$ 206,751

Notes to the General Purpose Financial Statements
June 30, 2000

Note 14. Operating Leases

The District leases several copier machines from various vendors. The following are general descriptions of the lease agreements:

A 60-month lease with Xerox, which began in May 1999. At the end of the lease term, the District has the option to renew the lease on a month-to-month basis or to purchase the copier for \$450. The District does not intend to exercise the purchase option at the end of the lease term.

Two 60-month leases with Comdoc, which both began in 1995. This lease was terminated as of 6/30/2000.

A 36-month lease with IKON Capital, which began in March 1998. This lease was terminated as of 6/30/2000.

The total rental expense for the year ended June 30, 2000 for the various operating leases was \$90,580.

Future minimum payments for leases with remaining lease terms in excess of one year for the years ended June 30 are as follows:

FY2001	\$	5,645
FY2002		2,395
FY2003		2,395
FY2004		<u>1,996</u>
Total	\$	<u><u>12,431</u></u>

Also, the District leased additional classroom space for an elementary school for the 1999/2000 school year. The contract may be renegotiated, annually, in July of each year. The total rent expense paid for this lease for the year ended June 30, 2000, was \$28,509.

Notes to the General Purpose Financial Statements
June 30, 2000

Notes 15. Fixed Assets

The following is a summary of the Proprietary Funds' fixed assets at June 30, 2000:

Furniture and Fixtures	\$ 437,060
Less Accumulated Depreciation	<u>(190,218)</u>
Net Fixed Assets	<u><u>\$ 246,842</u></u>

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

	General Fixed Assets			General Fixed Assets
	July 1, 1999	Additions	Deletions	June 30, 2000
Land	\$ 289,362	0	0	\$ 289,362
Improvements Other Than Buildings	98,608	738,790	0	837,398
Buildings	7,774,596	88,630	0	7,863,226
Furniture and Fixtures	5,486,764	754,473	5,168	6,236,069
Vehicles	2,221,814	378,411	0	2,600,225
Total General Fixed Assets	<u>\$ 15,871,144</u>	<u>1,960,304</u>	<u>5,168</u>	<u>\$ 17,826,280</u>

Note 16. Jointly Governed Organization

Northeast Ohio Management Information Network (NEOMIN)

NEOMIN is a jointly governed organization among thirty school districts in Trumbull and Ashtabula Counties. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the districts supports NEOMIN based upon a per pupil charge. The District contributed \$58,896 to NEOMIN during fiscal year 2000.

Superintendents and Treasurers of the participating school districts are eligible to be voting members of the Governing Board which consists of ten voting members: the Trumbull and Ashtabula County superintendents (permanent members), three superintendents from Ashtabula County school districts, three superintendents from Trumbull County school districts, and one treasurer from each of the afore named counties. The District was represented on the Governing Board by the District's superintendent and treasurer during fiscal year 2000. The degree of control exercised by any participating school district is limited to its representation on the Governing Board. To obtain a copy of NEOMIN's financial

Notes to the General Purpose Financial Statements
June 30, 2000

Note 16. Jointly Governed Organization (continued)

statements, write to the Trumbull County Board of Education, 347 North Park Avenue, Warren, Ohio, 44481.

Note 17. Segments of Enterprise Activities

Key financial data for the District's Enterprise Funds for the year ended June 30, 2000, are as follows:

	Lunchroom Fund	Uniform Supplies Fund	Total
Operating Revenues	\$ 469,571	\$ 2,012	\$ 471,583
Operating Expenses:			
Depreciation	9,844	0	9,844
Other Expenses	1,573,404	0	1,573,404
Total Operating Expenses	<u>1,583,248</u>	<u>0</u>	<u>1,583,248</u>
Operating Income (loss)	(1,113,677)	2,012	(1,111,665)
Non Operating Revenues and Expenses:			
Transfers In	61,640	0	61,640
Operating Grants	885,873	0	885,873
Net Income	<u>\$ (166,164)</u>	<u>\$ 2,012</u>	<u>\$ (164,152)</u>
Net Working Capital	<u>\$ (234,140)</u>	<u>\$ 14,756</u>	<u>\$ (219,384)</u>
Total Assets	<u>\$ 398,280</u>	<u>\$ 14,756</u>	<u>\$ 413,036</u>
Total Liabilities	<u>\$ 385,578</u>	<u>\$ 0</u>	<u>\$ 385,578</u>
Total Fund Equity	<u>\$ 12,702</u>	<u>\$ 14,756</u>	<u>\$ 27,458</u>

Note 18. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$16,378,366 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided grant money to build schools and furnish classrooms. As of June 30, 2000, the District had received a total of \$450,000 under this program.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 18. State School Funding Decision (continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio

Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly...", including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

Note 19. Statutory Reserves (HB-412)

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. The District is required by State statute to annually set-aside an amount based on prior year revenues for the purchase of textbooks, and other instructional materials, and an additional amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources must be held in cash at year end and carried forward to be used for the same purposes in future years. Amounts are also to be set aside for budget stabilization if the District's base amount used for the yearly set-aside calculation increases three percent or more from the prior year. This amount is to be included in the budget stabilization reserve.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 19. Statutory Reserves (HB-412) (continued)

During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/1999	\$ 7,795	\$ 0	\$ 318,200	\$ 325,995
Required Set Aside	560,498	560,498	0	1,120,996
Offset Credits	(484,458)	(560,498)	0	(1,044,956)
Qualifying Expenditures	(375,345)	0	0	(375,345)
Balance, 6/30/2000	<u>\$ (291,510)</u>	<u>\$ 0</u>	<u>\$ 318,200</u>	<u>\$ 26,690</u>

Expenditures in the Textbook Reserve were \$375,345 plus encumbrances totaling \$38,045. In the Capital Maintenance Reserve, expenditures were \$495,035 plus encumbrances totaling \$10,998.

Note 20. Workers' Compensation Group Rating Program

The District participates in the Ohio Schools Council Group Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The Ohio Schools Council's business and affairs are conducted by a seven (7) member board of directors consisting of Chairman, Vice-Chairman, Past Chairman, GCSSA Treasurer, and three (3) Directors. The Executive Secretary/Treasurer of the Ohio Schools Council serves as the coordinator of the program. Each year, the participating school districts pay an enrollment fee to the Ohio Schools Council to cover the costs of administering the program.

The intent of the Ohio Schools Council GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants 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 Integrated Consultant Services provides third party administrator services, cost control and actuarial services to the group. Careworks, Inc. serves as the manage care organization to administer medical only claims.

Notes to the General Purpose Financial Statements
June 30, 2000

Note 21. Deficit Balances

The following funds had a deficit fund balance as of June 30, 2000:

EMIS	\$	(1,195)
DPIA Fund	\$	(146,817)
PreSchool 2000	\$	(973)
Emergency Building Fund	\$	(50,000)
Harbor H.S. Athletic Fund	\$	(2,417)
Ohio Reads: Washington	\$	(561)

The deficits resulted from the conversion to generally accepted accounting principles and adjustments for accrued liabilities. The District is aware of the deficits and will take the necessary steps to alleviate the deficit. The deficits results from revenue being insufficient to cover expenditures on the modified accrual basis of accounting. The general fund is liable for any deficit in the fund and provides operating transfers when cash is required, not when accruals occur.

Note 22. Contractual Commitments

The District had the following outstanding contractual commitments as of June 30, 2000:

Building Technicians	\$	155,470
APL Electric		272,498
	\$	<u>427,968</u>

Note 23. Fund Balance Restatement

In the prior year, the District classified the Schoolnet Power Up Technologies Grant (Uniform School Accounting System Fund 457) as a Special Revenue Fund. The fund has been reclassified for the current year ended June 30, 2000, as a Capital Project Fund. On the modified accrual and budget basis, the restatement increases fund balance as previously reported for Capital Project funds by \$91,464 and decreases fund balance as previously reported for Special Revenue Funds by the same amount. Had the fund been classified as a Capital Project Fund in the year ended June 30, 1999, the excess of revenues and other sources over expenditures and other uses would have been \$91,464 greater in the Capital Project Funds and less by the same amount in the Special Revenue Funds for both the modified accrual and budget basis.

**Ashtabula Area City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
Food Distribution Program (Note 3)	10.550	N/A	\$ -	\$ 71,431	\$ -	\$ 69,093
School Breakfast Program	10.553	043513	155,494	-	155,494	-
National School Lunch Program	10.555	043513	<u>624,234</u>	<u>-</u>	<u>624,234</u>	<u>-</u>
Total U.S. Department of Agriculture – Nutrition Cluster			<u>779,728</u>	<u>71,431</u>	<u>779,728</u>	<u>69,093</u>
<u>U. S. DEPARTMENT OF LABOR</u>						
<i>Passed through Ohio Bureau of Employment Services:</i>						
<i>Passed through Ohio School-To-Work Region XII:</i>						
School-to-Work Program	17.249		19,499	-	19,499	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

Ashtabula Area City School District
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U. S. DEPARTMENT OF EDUCATION</u>						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	84.027	043513-6B-SF-99P	8,322	-	73,677	-
	84.027	043513-6B-SF-00P	297,052	-	308,270	-
			<u>305,374</u>	<u>-</u>	<u>381,947</u>	<u>-</u>
Special Education – Preschool Grants (IDEA Preschool)	84.173	043513-PG-S1-99P	-	-	4,816	-
	84.173	043513-PG-S1-2000P	29,395	-	28,014	-
			<u>29,395</u>	<u>-</u>	<u>32,830</u>	<u>-</u>
Total Special Education Cluster			<u>334,769</u>	<u>-</u>	<u>414,777</u>	<u>-</u>
Title I Grants to Local Educational Agencies (LEAs) (Title I, Part A of ESEA)	84.010	043513-C1-S1-99A	58,730	-	302,261	-
	84.010	043513-C1-S1-99C	184,358	-	184,358	-
	84.010	043513-C1-S1-2000A	1,207,235	-	1,139,498	-
			<u>1,450,323</u>	<u>-</u>	<u>1,626,117</u>	<u>-</u>
Eisenhower Professional Development State Grant	84.281	043513-MS-S1-98C	-	-	15,360	-
	84.281	043513-MS-S1-99A	973	-	1,615	-
	84.281	043513-MS-S1-99C	3,754	-	2,426	-
	84.281	043513-MS-S1-2000	19,764	-	16,865	-
			<u>24,491</u>	<u>-</u>	<u>36,266</u>	<u>-</u>
Class Size Reduction	84.340	043513-CR-S1-2000	143,167	-	118,569	-

See accompanying notes to the Schedule of Expenditures of Federal Awards

Ashtabula Area City School District
Schedule of Expenditures of Federal Awards (Continued)
For the Fiscal Year Ended June 30, 2000

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
Innovative Educational Program Strategies	84.298	043513-C2-S1-98C	-	-	3,142	-
	84.298	043513-C2-S1-99A	100	-	11,794	-
	84.298	043513-C2-S1-99C	8,528	-	5,403	-
	84.298	043513-C2-S1-2000	26,224	-	28,755	-
			<u>34,852</u>	<u>-</u>	<u>49,094</u>	<u>-</u>
Goals 2000 - State and Local Educational Systematic Improvement Grants	84.276	043513-G2-S2-99	-	-	9,342	-
	84.276	043513-G2-S1-2000	48,375	-	28,261	-
			<u>48,375</u>	<u>-</u>	<u>37,603</u>	<u>-</u>
Reading Excellence Act	84.338	043513	129,747	-	-	-
Drug-Free Schools Grant	84.186	043513-DR-S1-98C	-	-	1,976	-
	84.186	043513-DR-S1-99A	-	-	4,203	-
	84.186	043513-DR-S1-99C	-	-	10,424	-
	84.186	043513-DR-S1-2000	49,578	-	28,391	-
			<u>49,578</u>	<u>-</u>	<u>44,994</u>	<u>-</u>
<i>Passed Through Ashtabula County Joint Vocational School:</i>						
Vocational Education – Basic Grants to States	84.048	VED-NN-99	-	-	656	-
	84.048	VED-NN-00	6,922	-	6,922	-
			<u>6,922</u>	<u>-</u>	<u>7,578</u>	<u>-</u>
Total U. S. Department of Education			<u>2,222,224</u>	<u>-</u>	<u>2,334,998</u>	<u>-</u>
Total Federal Assistance			<u>\$ 3,021,451</u>	<u>\$ 71,431</u>	<u>\$ 3,134,225</u>	<u>\$ 69,093</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

Ashtabula Area City School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2000

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial award programs of the District. The District's reporting entity is defined in Note 1 to the District's general purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards assistance passed through other government agencies, are included on the Schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the basis of cash receipts and disbursements. Under this accounting method, revenue is recognized when received in cash and expenditures are recognized when paid.

3. Non-cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program (NSLP), CFDA 10.550. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers at June 30, 2000; the District had commodities totaling \$25,055 in inventory.



SNODGRASS

Certified Public Accountants and Consultants

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

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

We have audited the financial statements of Ashtabula Area City School District (the "District") as of and for the year ended June 30, 2000, and have issued our report thereon dated January 12, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 12, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Ashtabula Area City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Ashtabula Area

Board of Education

Ashtabula Area City School District

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

City School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio

January 12, 2001



SNODGRASS

Certified Public Accountants and Consultants

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

Board of Education
Ashtabula Area City School District
Ashtabula, Ohio

Compliance

We have audited the compliance of Ashtabula Area City School District (the “District”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. Ashtabula Area City School District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

In our opinion, Ashtabula Area City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000. However, the results of our audit procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 00-2. We also noted other immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated January 12, 2001.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in accompanying schedule of findings and questioned costs as item 00-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over compliance and its operation, which we have reported to management of the District in a separate letter, dated January 12, 2001.

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

S. R. Snodgrass, A.C.

Ashtabula, Ohio
January 12, 2001

**Ashtabula Area City School District
 Schedule of Findings and Questioned Costs
 For The Year Ended June 30, 2000**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? X yes none reported

Type of auditor’s report issued on compliance **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? X yes no

Identification of major programs:

CFDA Numbers
 84.027, 84.173
 84.010

Name of Federal Program or Cluster
 Special Education Cluster
 Title I Grants to Local
 Educational Agencies

Dollar threshold used to distinguish between type A and B programs: \$ 300,000

Auditee qualified as low-risk auditee? X yes no

**Ashtabula Area City School District
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2000**

Section II – Financial Statement Findings

Reportable Condition

00-1 Criteria: Board policies dictate that an accounting system be designed and maintained to assure accurate records for the purposes of safeguarding assets and reporting fixed assets in its annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Condition: In a test of asset additions the cost on three invoices could not be reconciled to the fixed asset inventory list and two assets purchased were not on the inventory list. In a test of asset disposals items still in service were treated as disposed of. An asset approved for disposal by the Board in June of 2000 was not removed from the inventory list. Annual spot checks of significant inventory items were not documented.

Effect: The fixed asset inventory was inaccurate and misstated. An inaccurate list with many discrepancies could cause a qualification of the audit report. Numerous problems could make it difficult to make a judgment that the assets are fairly stated.

Cause: There has been turnover in the personnel responsible for this area. There is a lack of consistency and supervision. The personnel entering the information do not have the necessary training. The lack of documentation for inventory spot checks was an oversight.

Recommendation: It is recommended that the District's policies in this area be reviewed and implemented. Training should be given to personnel required to keep the records and someone should make sure information is being entered correctly.

Management Response: Management agrees with the finding and plans to correct the problems.

**Ashtabula Area City School District
Schedule of Findings and Questioned Costs
For The Year Ended June 30, 2000**

Section III – Federal Award Findings and Questioned Costs

U. S. DEPARTMENT OF EDUCATION

Reportable Condition and Compliance

- 00-2 Special Education Cluster, Grants to States - CFDA No. 84.027; Pass-through Ohio Department of Education; Entity Number -43513-6B-SF-00P; Grant period - year ended September 30, 2000.

Criteria: Ohio Department of Education “Federal Fiscal Report Procedures #1” states that the Local Educational Agency (LEA) must liquidate obligations prior to submitting the Final Expenditure Report, which is due 60 days after the close of grant period. The final report was due November 30, 2000. Expenditures were supposed to be liquidated by the same date.

Condition: The District did not comply with the State’s requirements. In addition to filing the Final Expenditure Report 11 days late, obligations were liquidated in December 2000 for the Title VI-B grant, which was late. The amount liquidated in December 2000 was \$16,375. This problem appears to be an isolated instance as other grants were closed out on time.

Effect of Condition: Questionable costs and possible loss of funding in the future.

Questioned Costs: \$16,375

Cause of Condition: District personnel were not aware of this requirement. There was no control to assure that these requirements were met. The staff person that would normally process the invoices for payment was ill at the end of November, the time at which the obligations were to be liquidated.

Recommendation: District personnel should be trained in the grant requirements and a control checklist developed to assist in making staff aware of time deadlines.

Managements’ Response: Management agrees with the finding and will develop procedures to eliminate this problem.

Ashtabula Area City School District
Ashtabula County, Ohio
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended 6-30-2000

Finding Number	Finding Summary	Fully Corrected
U. S. DEPARTMENT OF AGRICULTURE		
99-1	Reportable Condition: controls over the obligation of funds were not in place and the grant funds were not obligated during period of availability.	Yes
99-2	Compliance – costs were allocated to Title I program using estimated time percentages.	Yes



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OFFICE OF THE AUDITOR

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ASHTABULA AREA CITY SCHOOL DISTRICT

ASHTABULA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 3, 2001**