



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds .....	5
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types and Expendable Trust Funds .....	6
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings - All Proprietary Fund Types and Non-Expendable Trust Funds .....	11
Combined Statement of Cash Flows - All Proprietary Fund Types and Non-Expendable Trust Funds .....	12
Notes to the General Purpose Financial Statements .....	13
Schedule of Federal Awards Expenditures .....	40
Notes to the Schedule of Federal Awards Expenditures .....	42
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	43
Report of Independent Accountants on Compliance with Requirements Applicable to A Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	45
Schedule of Findings .....	47
Schedule of Prior Audit Findings .....	49

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**REPORT OF INDEPENDENT ACCOUNTANTS**

Ashtabula Area City School District  
Ashtabula County  
401 W. 44<sup>th</sup> Street  
Ashtabula, Ohio 44005-0290

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Ashtabula Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Ashtabula Area City School District, Ashtabula County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

**Jim Petro**  
Auditor of State

March 4, 2002

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**Ashtabula Area City School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
June 30, 2001**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals 2001
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	(Memorandum Only)
	<b>Assets and Other Debits:</b>									
Equity in Pooled Cash and Investments	\$ 471,824	2,519,599	562	1,355,926	27,533	801,393	71,473	0	0	\$ 5,248,310
Cash - Restricted	318,200	0	0	0	0	0	0	0	0	318,200
Taxes Receivable	8,255,403	0	0	2,497,414	0	0	0	0	0	10,752,817
Interfund Receivables	369,475	0	0	0	0	0	0	0	0	369,475
Intergovernmental Receivables	129	319,753	0	28,355	107,104	0	0	0	0	455,341
Accounts Receivable	4,512	652	0	0	252	286,437	36	0	0	291,889
Supply Inventory	212,482	0	0	0	2,690	0	0	0	0	215,172
Inventory for Resale	0	0	0	0	25,497	0	0	0	0	25,497
Property, Plant & Equipment	0	0	0	0	482,353	0	0	20,095,243	0	20,577,596
Accumulated Depreciation, Where Applicable	0	0	0	0	(201,011)	0	0	0	0	(201,011)
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	562	562
Amount to be Provided for Retirement of General Long Term Debt	0	0	0	0	0	0	0	0	3,094,077	3,094,077
<b>Total Assets and Other Debits</b>	<b>\$ 9,632,025</b>	<b>2,840,004</b>	<b>562</b>	<b>3,881,695</b>	<b>444,418</b>	<b>1,087,830</b>	<b>71,509</b>	<b>20,095,243</b>	<b>3,094,639</b>	<b>\$ 41,147,925</b>

(Continued)

**Ashtabula Area City School District  
Combined Balance Sheet  
All Fund Types and Account Groups - Continued  
June 30, 2001**

	Governmental Fund Types			Proprietary Fund Types		Fiduciary Fund Type	Account Groups		Totals 2001	
	General	Special Revenue	Debt Service	Capital Project	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long Term	(Memorandum Only)
<b>Liabilities:</b>										
Interfund Payables	\$ 0	974	0	6,644	361,857	0	0	0	0	\$ 369,475
Intergovernmental Payables	463,893	75,530	0	145	95,615	0	0	0	244,201	879,384
Accounts Payable	159,085	33,175	0	179,229	3,949	78	1,326	0	0	376,842
Claims Payable	0	0	0	0	0	475,665	0	0	0	475,665
Accrued Salaries and Benefits	2,507,294	454,948	0	0	14,272	0	0	0	0	2,976,514
Deferred Revenue	4,478,176	0	0	1,389,983	20,501	0	0	0	0	5,888,660
Capital Leases Payable	0	0	0	0	0	0	0	0	162,673	162,673
Due to Others	0	0	0	0	0	0	40,614	0	0	40,614
Notes Payable	0	0	0	0	0	0	0	0	367,000	367,000
Compensated Absences Payable	36,541	3,790	0	0	13,659	0	0	0	2,257,773	2,311,763
Early Retirement Incentive	217,716	0	0	0	0	0	0	0	62,992	280,708
<b>Total Liabilities</b>	<b>7,862,705</b>	<b>568,417</b>	<b>0</b>	<b>1,576,001</b>	<b>509,853</b>	<b>475,743</b>	<b>41,940</b>	<b>0</b>	<b>3,094,639</b>	<b>14,129,298</b>
<b>Fund Equity and Other Credits:</b>										
Investment in General Fixed Assets	0	0	0	0	0	0	0	20,095,243	0	20,095,243
Contributed Capital	0	0	0	0	69,131	0	0	0	0	69,131
Retained Earnings	0	0	0	0	(134,566)	612,087	5,038	0	0	482,559
<b>Fund Balances:</b>										
Reserved for Endowment	0	0	0	0	0	0	0	0	0	0
Reserved for Budget Stabilization	318,200	0	0	0	0	0	0	0	0	318,200
Reserved for Supply Inventory	212,482	0	0	0	0	0	0	0	0	212,482
Reserved for Encumbrances	87,706	175,884	0	300,829	0	0	50	0	0	564,469
Reserved for Future Appropriation	3,777,227	0	0	1,107,431	0	0	0	0	0	4,884,658
Unreserved Fund Balance	(2,626,295)	2,095,703	562	897,434	0	0	24,481	0	0	391,885
<b>Total Fund Balances</b>	<b>1,769,320</b>	<b>2,271,587</b>	<b>562</b>	<b>2,305,694</b>	<b>0</b>	<b>0</b>	<b>24,531</b>	<b>0</b>	<b>0</b>	<b>6,371,694</b>
<b>Total Fund Balances/Retained Earnings and Other</b>	<b>1,769,320</b>	<b>2,271,587</b>	<b>562</b>	<b>2,305,694</b>	<b>(65,435)</b>	<b>612,087</b>	<b>29,569</b>	<b>20,095,243</b>	<b>0</b>	<b>27,018,627</b>
<b>Total Liabilities, Fund Equity, and Other Credits</b>	<b>\$ 9,632,025</b>	<b>2,840,004</b>	<b>562</b>	<b>3,881,695</b>	<b>444,418</b>	<b>1,087,830</b>	<b>71,509</b>	<b>20,095,243</b>	<b>3,094,639</b>	<b>\$ 41,147,925</b>

See Accompanying Notes to the General Purpose Financial Statement

**Ashtabula Area City School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Fiduciary	Totals
	General	Special Revenue	Debt Service	Expendable Trusts	(Memorandum) (Only)
<b>REVENUES:</b>					
Revenue from Local Sources:					
Taxes	\$ 10,535,983	0	212,595	3,125,641	0 \$ 13,874,219
Tuition	49,862	0	0	0	0 49,862
Transportation Fees	80,992	0	0	0	0 80,992
Earnings on Investments	315,833	3,811	0	0	110 319,754
Extracurricular Activities	0	205,221	0	0	0 205,221
Classroom Materials & Fees	0	93	0	0	0 93
Miscellaneous	20,303	199,182	0	0	13,031 232,516
Revenue from Intermediates Sources:					
Restricted Grant in Aid	0	62,263	0	0	0 62,263
Revenue in Lieu of Taxes	16,742	0	0	4,269	0 21,011
Revenue from State Sources:					
Unrestricted Grants-in-Aid	17,297,657	318,806	0	289,523	0 17,905,986
Restricted Grants-in-Aid	108,014	2,373,911	0	432,375	0 2,914,300
Revenue for/on Behalf of District	73,135	0	0	0	0 73,135
Revenue from Federal Sources:					
Restricted Grants-in-Aid	0	3,392,893	0	0	0 3,392,893
<b>Total Revenue</b>	<b>28,498,521</b>	<b>6,556,180</b>	<b>212,595</b>	<b>3,851,808</b>	<b>13,141 39,132,245</b>
<b>EXPENDITURES:</b>					
Instruction:					
Regular	14,152,625	1,689,564	0	1,194,535	1,050 17,037,774
Special	3,201,340	1,446,987	0	0	0 4,648,327
Vocational	198,159	3,552	0	0	0 201,711
Other	75,770	0	0	0	0 75,770
Supporting Services:					
Pupil	1,422,098	221,234	0	0	0 1,643,332
Instructional Staff	361,575	1,002,755	0	14,845	0 1,379,175
Board of Education	86,078	0	0	0	0 86,078
Administration	2,333,691	279,756	0	3,987	0 2,617,434
Fiscal Services	530,226	70,490	0	57,927	1,305 659,948
Business	425,092	(379)	0	500	0 425,213
Operation and Maintenance of Plant	3,045,341	62,641	0	5,249	0 3,113,231
Pupil Transportation	1,131,692	4,880	0	0	0 1,136,572
Central	1,298	53,216	0	0	0 54,514

(Continued)

**Ashtabula Area City School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds - Continued**  
**For the Fiscal Year Ended June 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum (Only))
	General	Special Revenue	Debt Service	Capital Project	
<b>EXPENDITURES:</b>					
Operation of Non-Instructional Services:					
Community Services	\$ 0	210,956	0	0	92 \$ 211,048
Extracurricular Activities:					
Academic & Subject Oriented	25,715	194,995	0	0	0 220,710
Occupation Oriented Activities	0	3,019	0	0	0 3,019
Sports Oriented	317,431	143,786	0	0	0 461,217
Co-Curricular Activities	15,780	29,033	0	0	0 44,813
Capital Outlay:					
Site Improvement	479	0	0	219,558	0 220,037
Building Improvement	0	0	0	1,904,401	0 1,904,401
Debt Service:					
Principal Retirement	0	0	212,595	0	0 212,595
Interest & Fiscal Charges	0	0	0	0	0 0
<b>Total Expenditures</b>	<b>27,324,390</b>	<b>5,416,485</b>	<b>212,595</b>	<b>3,401,002</b>	<b>2,447 36,356,919</b>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	1,174,131	1,139,695	0	450,806	10,694 2,775,326
Other Financing Sources and Uses:					
Other Financing Sources					
Premium & Accrued Interest	0	0	562	0	0 562
Sale & Loss of Assets	5,980	0	0	0	0 5,980
Transfers-In	1,556	118,332	0	43,758	0 163,646
Other Revenues	90,321	563	0	0	0 90,884
Other Financing Uses					
Transfer-Out	(143,576)	(50,993)	0	(43,758)	(3,041) (241,368)
Advances-Out	0	0	0	0	0 0
Other Expenses	(42)	(46)	0	0	0 (88)
<b>Net Other Financing Sources and Uses</b>	<b>(45,761)</b>	<b>67,856</b>	<b>562</b>	<b>0</b>	<b>(3,041) 19,616</b>
Excess (Deficiency) of Revenue Receipts and Other Sources Over Expenditure					
Disbursement and Other Uses	1,128,370	1,207,551	562	450,806	7,653 2,794,942
Increase (Decrease) Inventory	42,893	0	0	0	0 42,893
Beginning Fund Balance	598,057	1,064,036	0	1,854,888	16,878 3,533,859
<b>Ending Fund Balance</b>	<b>\$ 1,769,320</b>	<b>2,271,587</b>	<b>562</b>	<b>2,305,694</b>	<b>24,531 \$ 6,371,694</b>

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, 2001**

	General Fund			Special Revenue Funds		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 9,518,157	9,516,461	(1,696)	0	0	\$ 0
Tuition	56,078	49,862	(6,216)	0	0	0
Transportation Fees	92,500	77,415	(15,085)	0	0	0
Earnings on Investment	315,000	315,833	833	4,200	3,811	(389)
Extracurricular Activities	0	0	0	298,577	205,221	(93,356)
Classroom Materials & Fees	0	0	0	1,000	93	(907)
Miscellaneous	13,500	19,579	6,079	295,870	199,092	(96,778)
Restricted Grants-in-Aid	0	0	0	62,804	62,263	(541)
Revenue in Lieu of Taxes	20,000	16,742	(3,258)	0	0	0
State Unrestricted Grants-in-Aid	17,275,615	17,297,657	22,042	250,000	256,644	6,644
State Restricted Grants-in-Aid	118,628	108,014	(10,614)	2,319,811	2,373,911	54,100
Revenue for/on Behalf of District	90,832	74,135	(16,697)	0	0	0
Federal Unrestricted Grants-in-Aid	853	853	0	0	0	0
Federal Restricted Grants-in-Aid	0	0	0	3,769,396	3,386,788	(382,608)
<b>Total Revenue</b>	<b>27,501,163</b>	<b>27,476,551</b>	<b>(24,612)</b>	<b>7,001,658</b>	<b>6,487,823</b>	<b>(513,835)</b>
<b>Expenditures:</b>						
Regular Instruction	14,062,252	13,992,111	70,141	2,202,211	1,724,077	478,134
Special Instruction	3,246,872	3,192,511	54,361	2,013,309	1,548,620	464,689
Vocational Instruction	256,815	247,765	9,050	5,373	3,552	1,821
Other Instruction	82,635	75,770	6,865	0	0	0
Support Services-Pupils	1,420,889	1,410,143	10,746	355,351	247,523	107,828
Support Services-Instructional Staff	474,681	383,756	90,925	1,442,854	943,643	499,211
Support Services-Board of Education	116,353	92,885	23,468	0	0	0
Support Services-Administration	2,393,921	2,325,792	68,129	357,596	269,492	88,104
Fiscal Services	601,237	592,228	9,009	103,258	70,490	32,768
Support Services-Business	516,615	509,191	7,424	0	0	0
Operation & Maintenance-Plant	3,106,539	3,085,576	20,963	117,238	68,144	49,094
Support Services-Transportation	1,159,523	1,146,005	13,518	8,134	5,199	2,935
Support Services-Central	10,473	3,398	7,075	124,937	92,126	32,811
Community Services	0	0	0	283,312	240,985	42,327
Academic & Subject Oriented	26,415	25,220	1,195	294,309	204,258	90,051
Occupation Oriented Activities	0	0	0	5,984	3,083	2,901
Sports Oriented	312,983	311,234	1,749	249,773	197,580	52,193
Co-Curricular Activities	15,848	15,441	407	38,151	29,316	8,835
Site Improvement	500	479	21	5,600	0	5,600
Building Improvement	0	0	0	125,000	0	125,000
Repayment of Debt	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>27,804,551</b>	<b>27,409,505</b>	<b>395,046</b>	<b>7,732,390</b>	<b>5,648,088</b>	<b>2,084,302</b>
Excess of Revenue Over (Under) Expenditures	(303,388)	67,046	370,434	(730,732)	839,735	1,570,467
<b>Other Financing Sources (Uses):</b>						
Premium & Accrued Interest	0	0	0	0	0	0
Proceeds from Notes	0	0	0	0	0	0
Sale & Loss of Assets	2,000	5,980	3,980	0	0	0
Transfer-In	1,560	1,556	(4)	84,497	118,332	33,835
Advances-In	355,646	355,646	0	0	974	974
Refund of Prior Years Expenditures	90,000	90,321	321	200	0	(200)
Transfer-Out	(159,710)	(143,576)	16,134	(51,406)	(50,993)	413
Advances-Out	0	(369,476)	(369,476)	0	(39,594)	(39,594)
Refund of Prior Years Receipts	(42)	(42)	0	(50)	(46)	4
<b>Total Other Sources (Uses)</b>	<b>289,454</b>	<b>(59,591)</b>	<b>(349,045)</b>	<b>33,241</b>	<b>28,673</b>	<b>(4,568)</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(13,934)	7,455	21,389	(697,491)	868,408	1,565,899
Beginning Fund Balance	367,832	367,832	0	1,332,030	1,332,030	0
Prior Year Carry Over Encumbrances	195,688	195,688	0	91,667	91,667	0
<b>Ending Fund (Deficit) Balance</b>	<b>\$ 549,586</b>	<b>570,975</b>	<b>21,389</b>	<b>726,206</b>	<b>2,292,105</b>	<b>\$ 1,565,899</b>

(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, 2001**

	Debt Service Funds			Capital Project Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 212,595	212,595	0	2,864,717	2,864,364	\$ (353)
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	4,800	4,269	(531)
State Unrestricted Grants-in-Aid	0	0	0	289,761	289,523	(238)
State Restricted Grants-in-Aid	0	0	0	451,081	404,020	(47,061)
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
<b>Total Revenue</b>	<b>212,595</b>	<b>212,595</b>	<b>0</b>	<b>3,610,359</b>	<b>3,562,176</b>	<b>(48,183)</b>
<b>Expenditures:</b>						
Regular Instruction	0	0	0	1,656,056	1,367,305	288,751
Special Instruction	0	0	0	0	0	0
Vocational Instruction	0	0	0	0	0	0
Other Instruction	0	0	0	0	0	0
Support Services-Pupils	0	0	0	0	0	0
Support Services-Instructional Staff	0	0	0	24,556	17,700	6,856
Support Services-Board of Education	0	0	0	0	0	0
Support Services-Administration	0	0	0	5,720	5,664	56
Fiscal Services	0	0	0	68,359	59,366	8,993
Support Services-Business	0	0	0	500	500	0
Operation & Maintenance-Plant	0	0	0	59,600	5,249	54,351
Support Services-Transportation	0	0	0	0	0	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	336,319	318,039	18,280
Building Improvement	0	0	0	2,559,511	2,158,470	401,041
Repayment of Debt	212,595	212,595	0	0	0	0
<b>Total Expenditures</b>	<b>212,595</b>	<b>212,595</b>	<b>0</b>	<b>4,710,621</b>	<b>3,932,293</b>	<b>778,328</b>
Excess of Revenue Over (Under) Expenditures	0	0	0	(1,100,262)	(370,117)	730,145
<b>Other Financing Sources (Uses):</b>						
Premium & Accrued Interest	562	562	0	0	0	0
Sale & Loss of Assets	0	0	0	0	0	0
Transfer-In	0	0	0	96,758	43,758	(53,000)
Advances-In	0	0	0	0	6,644	6,644
Refund of Prior Years Expenditures	0	0	0	0	0	0
Transfer-Out	0	0	0	(43,758)	(43,758)	0
Advances-Out	0	0	0	0	(50,000)	(50,000)
Refund of Prior Years Receipts	0	0	0	0	0	0
<b>Total Other Sources (Uses)</b>	<b>562</b>	<b>562</b>	<b>0</b>	<b>53,000</b>	<b>(43,356)</b>	<b>(96,356)</b>
<b>Excess of Revenues &amp; Other Financing Sources Over (Under) Expenditures and Other Financing Uses</b>	<b>562</b>	<b>562</b>	<b>0</b>	<b>(1,047,262)</b>	<b>(413,473)</b>	<b>633,789</b>
Beginning Fund Balance (As restated)	0	0	0	961,205	961,205	0
Prior Year Carry Over Encumbrances	0	0	0	323,203	323,203	0
<b>Ending Fund (Deficit) Balance</b>	<b>\$ 562</b>	<b>562</b>	<b>0</b>	<b>237,146</b>	<b>870,935</b>	<b>\$ 633,789</b>

(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, 2001**

	Expendable Trust Funds			Totals (Memorandum Only)		
	Revised		Variance	Revised		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>Revenues:</b>						
Taxes	\$ 0	0	0	12,595,469	12,593,420	\$ (2,049)
Tuition	0	0	0	56,078	49,862	(6,216)
Transportation Fees	0	0	0	92,500	77,415	(15,085)
Earnings on Investment	125	110	(15)	319,325	319,754	429
Extracurricular Activities	0	0	0	298,577	205,221	(93,356)
Classroom Materials and Fees	0	0	0	1,000	93	(907)
Miscellaneous	13,375	13,031	(344)	322,745	231,702	(91,043)
Restricted Grants-in-Aid	0	0	0	62,804	62,263	(541)
Revenue in Lieu of Taxes	0	0	0	24,800	21,011	(3,789)
State Unrestricted Grants-in-Aid	0	0	0	17,815,376	17,843,824	28,448
State Restricted Grants-in-Aid	0	0	0	2,889,520	2,885,945	(3,575)
Revenue for/on Behalf of District	0	0	0	90,832	74,135	(16,697)
Federal Unrestricted Grants-in-Aid	0	0	0	853	853	0
Federal Restricted Grants-in-Aid	0	0	0	3,769,396	3,386,788	(382,608)
<b>Total Revenue</b>	<b>13,500</b>	<b>13,141</b>	<b>(359)</b>	<b>38,339,275</b>	<b>37,752,286</b>	<b>(586,989)</b>
<b>Expenditures:</b>						
Regular Instruction	1,050	1,050	0	17,921,569	17,084,543	837,026
Special Instruction	0	0	0	5,260,181	4,741,131	519,050
Vocational Instruction	0	0	0	262,188	251,317	10,871
Other Instruction	0	0	0	82,635	75,770	6,865
Support Services-Pupils	1,175	0	1,175	1,777,415	1,657,666	119,749
Support Services-Instructional Staff	0	0	0	1,942,091	1,345,099	596,992
Support Services-Board of Education	0	0	0	116,353	92,885	23,468
Support Services-Administration	0	0	0	2,757,237	2,600,948	156,289
Fiscal Services	4,000	51	3,949	776,854	722,135	54,719
Support Services-Business	0	0	0	517,115	509,691	7,424
Operation & Maintenance-Plant	0	0	0	3,283,377	3,158,969	124,408
Support Services-Transportation	0	0	0	1,167,657	1,151,204	16,453
Support Services-Central	0	0	0	135,410	95,524	39,886
Community Services	610	142	468	283,922	241,127	42,795
Academic & Subject Oriented	0	0	0	320,724	229,478	91,246
Occupation Oriented Activities	0	0	0	5,984	3,083	2,901
Sports Oriented	0	0	0	562,756	508,814	53,942
Co-Curricular Activities	0	0	0	53,999	44,757	9,242
Site Improvement	0	0	0	342,419	318,518	23,901
Building Improvement	0	0	0	2,684,511	2,158,470	526,041
Repayment of Debt	0	0	0	212,595	212,595	0
<b>Total Expenditures</b>	<b>6,835</b>	<b>1,243</b>	<b>5,592</b>	<b>40,466,992</b>	<b>37,203,724</b>	<b>3,263,268</b>
Excess of Revenue Over (Under) Expenditures	6,665	11,898	5,233	(2,127,717)	548,562	2,676,279
<b>Other Financing Sources (Uses):</b>						
Premium & Accrued Interest	0	0	0	562	562	0
Sale & Loss of Assets	0	0	0	2,000	5,980	3,980
Transfer-In	0	0	0	182,815	163,646	(19,169)
Advances-In	0	0	0	355,646	363,264	7,618
Refund of Prior Years Expenditures	0	0	0	90,200	90,321	121
Transfer-Out	(3,041)	(3,041)	0	(257,915)	(241,368)	16,547
Advances-Out	0	0	0	0	(459,070)	(459,070)
Refund of Prior Years Receipts	0	0	0	(92)	(88)	4
<b>Total Other Sources (Uses)</b>	<b>(3,041)</b>	<b>(3,041)</b>	<b>0</b>	<b>373,216</b>	<b>(76,753)</b>	<b>(449,969)</b>
Excess of Revenues & Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,624	8,857	5,233	(1,754,501)	471,809	2,226,310
Beginning Fund Balance	16,878	16,878	0	2,677,945	2,677,945	0
Prior Year Carry Over Encumbrances	0	0	0	610,558	610,558	0
<b>Ending Fund (Deficit) Balance</b>	<b>\$ 20,502</b>	<b>25,735</b>	<b>5,233</b>	<b>1,534,002</b>	<b>3,760,312</b>	<b>\$ 2,226,310</b>

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 Non-Expendable Trust Funds**  
**For the Fiscal Year Ended June 30, 2001**

	Proprietary		Fiduciary	Totals (Memorandum) (Only)
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Funds	
<b>Operating Revenues:</b>				
Sales	\$ 457,487	0	0	\$ 457,487
Extracurricular Activities	0	4,886	0	4,886
Classroom Materials & Fees	2,207	0	0	2,207
Charges for Services	0	4,739,213	0	4,739,213
<b>Total Operating Revenue</b>	<b>459,694</b>	<b>4,744,099</b>	<b>0</b>	<b>5,203,793</b>
<b>Operating Expenses:</b>				
Salary and Wages	597,858	0	0	597,858
Employee Benefits	324,774	0	0	324,774
Purchase Services	36,385	569,599	0	605,984
Supplies and Materials	549,461	3,574	0	553,035
Other Expenses	1,976	3,676,280	3,509	3,681,765
Depreciation	10,793	0	0	10,793
<b>Total Operating Expenses</b>	<b>1,521,247</b>	<b>4,249,453</b>	<b>3,509</b>	<b>5,774,209</b>
<b>Operating Income (Loss)</b>	<b>(1,061,553)</b>	<b>494,646</b>	<b>(3,509)</b>	<b>(570,416)</b>
<b>Non-Operating Revenues:</b>				
Earnings On Investments	0	0	2,008	2,008
Miscellaneous	0	2,000	3,330	5,330
State Unrestricted Grants-In-Aid	52,587	0	0	52,587
Federal Unrestricted Grants In-Aid	758,408	0	0	758,408
Federal Restricted Grants-in-Aid	60,073	0	0	60,073
Other Income	3,043	0	0	3,043
<b>Total Non-Operating Revenue</b>	<b>874,111</b>	<b>2,000</b>	<b>5,338</b>	<b>881,449</b>
<b>Non-Operating Expenses:</b>				
Other Expenses	0	0	30,000	30,000
<b>Total Non-Operating Expenses</b>	<b>0</b>	<b>0</b>	<b>30,000</b>	<b>30,000</b>
<b>Net Income (Loss) Before Operating Transfers</b>	<b>(187,442)</b>	<b>496,646</b>	<b>(28,171)</b>	<b>281,033</b>
Transfers-In	57,154	733	1,485	59,372
Transfers-Out	0	(770)	0	(770)
<b>Total Transfers</b>	<b>57,154</b>	<b>(37)</b>	<b>1,485</b>	<b>58,602</b>
<b>Net Income (Loss)</b>	<b>(130,288)</b>	<b>496,609</b>	<b>(26,686)</b>	<b>339,635</b>
Beginning Retained Earnings	(4,278)	115,478	31,724	142,924
Ending Retained Earnings	(134,566)	612,087	5,038	482,559
Net Contributed Capital	69,131	0	0	69,131
<b>Total Fund Equity</b>	<b>\$ (65,435)</b>	<b>612,087</b>	<b>5,038</b>	<b>\$ 551,690</b>

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, 2001**

	Proprietary		Fiduciary	Totals (Memorandum (Only))
	Enterprise Funds	Internal Service Funds	Non- Expendable Trust Funds	
Cash Flows from Operating Activities				
Operating Income (Loss)	\$ (1,061,553)	494,646	(3,509)	\$ (570,416)
Adjustment to Reconcile Operating Income (Loss)				
To Net Cash used in Operating Activities:				
Depreciation	10,793	0	0	10,793
Federal Commodities	60,073	0	0	60,073
Net (Increase) Decrease in Assets:				
Accounts Receivable	(252)	(286,405)	0	(286,657)
Inventory	8,801	0	0	8,801
Net Increase (Decrease) in Liabilities:				
Due to Other Government	33,888	0	0	33,888
Accounts Payable	2,277	(1,944)	0	333
Claims Payable	0	(307,839)	0	(307,839)
Accrued Wages & Benefits	(3,599)	0	0	(3,599)
Deferred Revenue	(4,553)	0	0	(4,553)
Compensated Absences	670	0	0	670
Other	(213)	0	0	(213)
Total Adjustments	<u>107,885</u>	<u>(596,188)</u>	<u>0</u>	<u>(488,303)</u>
Net Cash Used in Operating Activities	<u>(953,668)</u>	<u>(101,542)</u>	<u>(3,509)</u>	<u>(1,058,719)</u>
Cash Flows from Investing Activities:				
Miscellaneous	0	2,000	3,332	5,332
Earnings on Investments	0	0	2,008	2,008
Net Cash Provided by Investing Activities	<u>0</u>	<u>2,000</u>	<u>5,340</u>	<u>7,340</u>
Cash Flows from Noncapital Activities				
Net of Advances from Other Funds	95,805	0	0	95,805
Operating Grants from State Sources	61,796	0	0	61,796
Operating Grants from Federal Sources	755,289	0	0	755,289
Net Transfers from/to Other Funds	57,154	(38)	1,485	58,601
Other Revenue	3,043	0	(30,000)	(26,957)
Net Cash Provided by Noncapital Financing Sources	<u>973,087</u>	<u>(38)</u>	<u>(28,515)</u>	<u>944,534</u>
Cash Flows from Capital Financing Activities:				
Acquisition of Capital Assets	<u>(7,898)</u>	<u>0</u>	<u>0</u>	<u>(7,898)</u>
Net Cash Provided by Capital Financing Sources	<u>(7,898)</u>	<u>0</u>	<u>0</u>	<u>(7,898)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	11,521	(99,580)	(26,684)	(114,743)
Cash and Cash Equivalents at Beginning of Year	<u>16,012</u>	<u>900,973</u>	<u>31,724</u>	<u>948,709</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,533</u>	<u>801,393</u>	<u>5,040</u>	<u>\$ 833,966</u>

See Accompanying Notes to The General Purpose Financial Statements

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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, 2000, was 4,832. The District employed 24 administrative and supervisory personnel, 404 certified employees and 269 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.

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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 an 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.

The Harbor-Topky Memorial Library is a separate body politic. The Board of Education appoints new Trustees, by resolution, upon recommendation of the 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 Educational Service Center 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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 for expenditures.

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).

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, 2001 which are not 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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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 2001.

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 object level of expenditures, which is the legal level 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.

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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2001.

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 \$315,833.

For the District, all investment earnings accrue to the General Fund, Auxiliary Service Fund, one Expendable and two Non-Expendable Trust Funds as authorized by board resolution. Interest income earned in fiscal year 2001 totaled \$321,762.

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

**F. Restricted Assets**

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

**G. 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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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.

Infrastructure fixed assets such as roads, bridges, curbs and gutters, streets and sidewalks and drainage systems are not capitalized by the District 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. Fixed assets utilized in the proprietary funds are depreciated to the residual value assigned at the time of purchase.

**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 62% of the District's revenue during the 2001 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, 2001, the District had short-term interfund loans in the amount of \$369,475.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2001 the District had no long-term interfund loans.

**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, 2001, the District had \$69,131 in contributed capital.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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 budget stabilization, inventory, encumbrances, and endowment.

**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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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:

<b>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types and Expendable Trust Funds</b>					
	General Fund	Special Revenue	Debt Service	Capital Project	Expendable Trust
GAAP Basis	\$ 1,128,370	1,207,551	562	450,806	\$ 7,653
Increase (Decrease):					
Due to Revenues:					
Net Adjustments to Revenues	(1,021,970)	(68,357)	0	(289,632)	0
Due to Expenditures:					
Net Adjustment to Expenditures	(85,115)	(231,603)	0	(531,291)	1,204
Due to Other Sources/Uses	(13,830)	(39,183)	0	(43,356)	0
Budget Basis	<u>\$ 7,455</u>	<u>868,408</u>	<u>562</u>	<u>(413,473)</u>	<u>\$ 8,857</u>

Actual expenditures were not within the appropriations passed by the Board of Education for the year ended June 30, 2001 for the Nelson Endowment Fund as outlined in Ohio Revised Code Section 5705.41(B).

**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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS - (continued)**

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;
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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS - (continued)**

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*.

**Cash on Hand** At fiscal year-end, the District had \$275 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents."

**Deposits** At fiscal year end, the carrying amount of the District's deposits was (\$204,762) and the bank balance was \$450,561, 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 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	\$ 3,196,806	\$ 3,196,806	\$ 3,196,806
STAR Ohio				2,574,191	2,574,191
Total Investments				<u>\$ 5,770,997</u>	<u>\$ 5,770,997</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*.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**3. EQUITY IN POOLED CASH AND INVESTMENTS (continued)**

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	\$ 5,566,510	\$ 0
Investments:		
Repurchase Agreement	(3,196,806)	3,196,806
STAR Ohio	(2,574,191)	2,574,191
Total	(204,487)	5,770,997
Cash on Hand	(275)	0
GASB Statement No. 3	\$ (204,762)	\$ 5,770,997

**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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**4. PROPERTY TAXES - (continued)**

The full tax rate at the fiscal year ending June 30, 2001, for operations was \$49.30 per \$1,000 of assessed valuation. The assessed values of real and tangible personal property on which the 2001 taxes were collected were as follows:

Real Property	\$ 302,476,400
Public Utility Personal	39,341,000
Tangible Personal Property	<u>60,195,080</u>
Total Assessed Value	<u><u>\$ 402,012,480</u></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, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2001 was \$3,777,227 in the General Fund and \$1,107,431 in the Capital Projects Fund.

**5. RECEIVABLES**

Receivables at June 30, 2001, consisted of taxes, accounts (student fees), interfund 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:	
Transportation Fees	<u>\$ 129</u>
Total General Fund	129
Capital Project Funds:	
ADA Improvement	<u>28,355</u>
Total Capital Project Funds:	28,355
Special Revenue Funds:	
CAFS	113,027
Title VI-B	44,608
Title I	151,532
Title VI-R	9,612
Preschool	<u>974</u>
Total Special Revenue Funds	319,753
Proprietary Funds:	
State & Federal Reimbursements	<u>107,104</u>
Total Proprietary Funds	<u>107,104</u>
	<u><u>\$ 455,341</u></u>

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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.

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 \$67,218,300. 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 \$100,000 is carried by the District for each individual employee. In addition, an aggregate pooling limit is insured at \$2,670,000. 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. The Third Party Administrator changed to Medical Mutual of Ohio effective January 1, 2001 resulting in higher discounts and lowering claims paid. 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 1999	\$ 387,715	4,007,434	(3,841,297)	\$ 553,852
FY 2000	\$ 553,852	3,903,839	(3,674,186)	\$ 783,505
FY 2001	\$ 783,505	2,892,779	(3,200,619)	\$ 475,665

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**6. RISK MANAGEMENT - (continued)**

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:

General Fund	\$	3,723,513
Special Revenue Funds		494,469
Enterprise Funds		142,510
Total Contributed by Funds		4,360,492
Employee Contributions		47,271
Total Contributions	\$	4,407,763

An actuarial valuation of claim liability and funded status for the period ended December 31, 2000, reported reserved funds available to pay incurred but not reported claims of that date are \$921,200. It is thus concluded that minimum requirement under interpretation of Section 9.833 of the Ohio Revised Code are satisfied.

**7. DEFINED BENEFIT PENSION PLANS**

**1. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 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. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund the pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$710,616, \$710,554 and \$648,259 respectively; 44.86 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$436,789 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**7. DEFINED BENEFIT PENSION PLANS (continued)**

**B. State Teachers Retirement System**

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

For the fiscal year ended June 30, 2001, plan members are required to contribute 9.3 percent of their annual covered salaries. The District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, 6 percent was used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$2,379,600, \$2,255,302 and \$2,051,462 respectively; 83.33 percent has been contributed for fiscal year 2001, and 100 percent for fiscal years 2000 and 1999. \$396,600 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**8. POSTEMPLOYMENT BENEFITS**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund, a decrease of 3.5 percent for fiscal year 2001. For the District, this amount equaled \$764,871 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

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

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**8. POSTEMPLOYMENT BENEFITS (continued)**

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent for fiscal year 2001. 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 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$578,912.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants receiving health care benefits.

**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.

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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**9. COMPENSATED ABSENCES (continued)**

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 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.

**10. INTERFUND TRANSACTIONS**

At June 30, 2001, 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	\$ 369,475	\$ 0
Special Revenue Funds	0	974
Capital Project Funds	0	6,644
Enterprise Funds	0	361,857
	\$ 369,475	\$ 369,475

A summary of interfund (operating) transfers made during 2001 by fund is as follows:

	Transfers Out	Transfers In
General Fund	\$ 143,576	\$ 1,556
Special Revenue Funds	50,993	118,333
Capital Projects Funds	43,758	43,758
Enterprise Funds	0	57,154
Internal Service Funds	770	732
Trust & Agency Funds	29,263	46,827
	\$ 268,360	\$ 268,360

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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, 2001.

**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.

**12. GENERAL LONG-TERM DEBT**

A summary of changes in long-term obligations for the year ended June 30, 2001, are as follows:

	Balance			Balance	
	July 1, 2000	Additions	Deletions	June 30, 2001	
Intergovernmental Payable	\$ 280,831	244,201	280,831	\$ 244,201	
Capital Leases Payable	206,751	0	44,078	162,673	
General Obligation Notes Payable	550,000	0	183,000	367,000	
Compensated Absences Payable	2,220,431	37,342	0	2,257,773	
Early Retirement Incentive	111,262	0	48,270	62,992	
<b>Total General Long-Term Obligations</b>	<b><u>\$ 3,369,275</u></b>	<b><u>281,543</u></b>	<b><u>556,179</u></b>	<b><u>\$ 3,094,639</u></b>	

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 \$105,000 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%.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**12. GENERAL LONG-TERM DEBT - (continued)**

The annual maturities of the general obligation notes for Energy Conservation measures as of June 30, 2001, and related interest payments are as follows:

	Payment	Interest	Principal
FY2002	\$ 75,600	5,600	\$ 70,000
FY2003	36,120	1,120	35,000
	<u>\$ 111,720</u>	<u>6,720</u>	<u>\$ 105,000</u>

Outstanding general obligation notes in the amount of \$67,000 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, 2001 and related interest payments are as follows:

	Payment	Interest	Principal
FY2002	\$ 70,585	3,585	\$ 67,000
	<u>\$ 70,585</u>	<u>3,585</u>	<u>\$ 67,000</u>

Outstanding general obligation notes in the amount of \$195,000 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%.

	Payment	Interest	Principal
FY2002	\$ 70,043	10,043	\$ 60,000
FY2003	71,953	6,953	65,000
FY2004	73,605	3,605	70,000
	<u>\$ 215,601</u>	<u>20,601</u>	<u>\$ 195,000</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.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**13. CAPITAL LEASES**

During the year ended June 30, 2001, 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	Interest	Principal
FY2002	\$ 49,443	13,502	\$ 35,941
FY2003	49,443	10,519	38,924
FY2004	49,443	7,288	42,155
FY2005	49,443	3,790	45,653
	<u>\$ 197,772</u>	<u>35,099</u>	<u>\$ 162,673</u>

**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.

A 60-month lease with Danka, which began in April 2000. Copiers for use in various schools with an option for purchase at the end of the lease.

A 24-month lease with MCSi which began in August 2000. Computer equipment for various schools with an option for purchase at the end of the lease.

A 60-month lease with Danka which began in September 2000. Copiers for three elementary buildings with an option for purchase at the end of the lease.

The total rental expense for the year ended June 30, 2001 for the various operating leases was \$95,516.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**14. OPERATING LEASES (continued)**

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

FY2002	\$	2,395
FY2003		2,395
FY2004		<u>1,996</u>
Total	\$	<u><u>6,786</u></u>

Also, the District leased additional classroom space for an elementary school for the 2000/2001 school year. The contract ended June 30, 2001. The total rent expense paid for this lease for the year ended June 30, 2001, was \$2,500.

Warehouse property was leased for stockroom supplies and total rent expense paid for this lease for the year ended June 30, 2001, was \$6,600.

**15. FIXED ASSETS**

The following is a summary of the Proprietary Funds' fixed assets at June 30, 2001:

Furniture and Fixtures	\$	482,353
Less Accumulated Depreciation		<u>(201,011)</u>
Net Fixed Assets	\$	<u><u>281,342</u></u>

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year 2001:

	General Fixed Assets July 1, 2000	Additions	Deletions	General Fixed Assets June 30, 2001
Land	\$ 289,362	0	0	\$ 289,362
Improvements Other Than Buildings	837,398	192,021	0	1,029,419
Buildings	7,863,226	1,712,866	0	9,576,092
Furniture and Fixtures	6,236,069	418,331	54,255	6,600,145
Vehicles	<u>2,600,225</u>	<u>0</u>	<u>0</u>	<u>2,600,225</u>
Total General Fixed Assets	<u>\$ 17,826,280</u>	<u>2,323,218</u>	<u>54,255</u>	<u>\$ 20,095,243</u>

**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 \$50,410 to NEOMIN during fiscal year 2001.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**16. JOINTLY GOVERNED ORGANIZATION - (continued)**

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 county. The District was represented on the Governing Board by the District's superintendent during fiscal year 2001. 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 statements, write to the Trumbull County Board of Education, 347 North Park Avenue, Warren, Ohio, 44481.

**17. SEGMENTS OF ENTERPRISE ACTIVITIES**

Key financial data for the District's Enterprise Funds for the year ended June 30, 2001, are as follows:

	Lunchroom Fund	Uniform School Supplies Fund	Total
Operating Revenues	\$ 457,487	\$ 2,207	\$ 459,694
Operating Expenses:			
Depreciation	10,793	0	10,793
Other Expenses	1,506,839	3,615	1,510,454
Total Operating Expenses	<u>1,517,632</u>	<u>3,615</u>	<u>1,521,247</u>
Operating Income (loss)	(1,060,145)	(1,408)	(1,061,553)
Non Operating Revenues and Expenses:			
Transfers In	57,154	0	57,154
Operating Grants	874,111	0	874,111
Net Income	<u>\$ (128,880)</u>	<u>\$ (1,408)</u>	<u>\$ (130,288)</u>
Net Working Capital	<u>\$ (360,124)</u>	<u>\$ 13,347</u>	<u>\$ (346,777)</u>
Total Assets	<u>\$ 431,072</u>	<u>\$ 13,346</u>	<u>\$ 444,418</u>
Total Liabilities	<u>\$ 509,853</u>	<u>\$ 0</u>	<u>\$ 509,853</u>
Total Fund Equity	<u>\$ (78,783)</u>	<u>\$ 13,348</u>	<u>\$ (65,435)</u>

**18. STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**18. STATE SCHOOL FUNDING DECISION - (continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of the date of this report, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**19. STATUTORY RESERVES**

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 also may be set aside for budget stabilization. This amount is to be included in the budget stabilization reserve.

During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Budget Stabilization Reserve	Total
Balance, 7/1/2000	\$ 0	\$ 0	\$ 318,200	\$ 318,200
Required Set Aside	566,805	566,805	0	1,133,610
Offset Credits	(1,096,618)	(2,061,538)	0	(3,158,156)
Qualifying Expenditures	<u>(228,630)</u>	<u>(412,153)</u>	<u>0</u>	<u>(640,783)</u>
Balance, 6/30/2001	<u>\$ (758,443)</u>	<u>\$ (1,906,886)</u>	<u>\$ 318,200</u>	<u>\$ (2,347,129)</u>

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2001  
(CONTINUED)**

**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.

**21. DEFICIT BALANCES**

Fund balances at June 30, 2001, included the following fund deficits:

EMIS	\$	(475)
Lunchroom	\$	(78,583)

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 and provides operating transfers when cash is required, not when accruals occur.

**22. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE**

For fiscal year 2001, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. At June 30, 2001 there was no effect on fund balances as a result of implementing GASB 33.

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program		10.550		\$55,520		\$60,064
National School Lunch Program	LL-P4-00	10.555	602,884		602,884	
School Breakfast Program	05-PU-01	10.553	153,172		153,172	
Total U.S. Department of Agriculture - Nutrition Cluster			<b>756,056</b>	<b>55,520</b>	<b>756,056</b>	<b>60,064</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-00	84.027	74,712		63,494	
	6B-SF-01	84.027	380,437		296,132	
Subtotal - CFDA #84.027			455,149		359,626	
Special Education - Preschool Grant	PG-S1-00	84.173	2,417		3,798	
	PG-S1-01	84.173	30,937		31,911	
Subtotal - CFDA #84.173			33,354		35,709	
Total Special Education Cluster			<b>488,503</b>		<b>395,335</b>	
Eisenhower Professional Development State Grant	MS-S1-99	84.281			1,328	
	MS-S1-00	84.281	12,983		15,882	
	MS-S1-01	84.281	23,996		11,514	
Subtotal - CFDA #84.281			36,979		28,724	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-00	84.010	308,042		375,779	
	C1-S1-01	84.010	1,321,991		1,124,736	
Subtotal - CFDA #84.010			1,630,033		1,500,515	
Innovative Educational Program Strategies	C2-S1-99	84.298			3,125	
	C2-S1-00	84.298	6,227		3,041	
	C2-S1-01	84.298	26,824		12,855	
Subtotal - CFDA #84.298			33,051		19,021	
Drug-Free Schools Grant	DR-S1-00	84.186	5,088		25,399	
	DR-S1-01	84.186	46,387		15,768	
Subtotal - CFDA #84.186			51,475		41,167	
Class Size Reduction (ESEA Title VI-R)	CR-S1-00	84.340	53,421		28,401	
	CR-S1-01	84.340	200,411		174,369	
Subtotal - CFDA #84.340			253,832		202,770	
Reading Excellence Act	RN-S1-00	84.338	712,529		604,456	
Goals 2000-State and Local Educational Systematic Improvement Grants	G2-S1-00	84.276			17,508	
	G2-S1-01	84.276	48,375		26,808	
	G2-S2-00	84.276	45,000		24,130	
	G2-S2-01	84.276	31,000		0	
Subtotal - CFDA #84.276			124,375		68,446	
State Program Improvement Grant Special Education	ST-S1-01	84.323	50,000		933	

ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2001  
(CONTINUED)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<i>Passed Through Ohio Department of Education:</i>						
<i>Passed Through Ashtabula County Joint Vocational School</i>						
Vocational Education-- Basic Grants to States--Career Education Mini Grant	VED-NN-00	84.048	853		853	
	VED-NN-01	84.048	<u>6,013</u>		<u>6,013</u>	
Subtotal - CFDA #84.048			<u>6,866</u>		<u>6,866</u>	
Total Department of Education			<u><b>3,387,643</b></u>		<u><b>2,868,233</b></u>	
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Funding Program		93.778	<u>181,644</u>		<u>181,644</u>	
Total Department of Mental Retardation and Development Disabilities			<u>181,644</u>		<u>181,644</u>	
<b>Totals</b>			<u><b>\$4,325,343</b></u>	<u><b>\$55,520</b></u>	<u><b>\$3,805,933</b></u>	<u><b>\$60,064</b></u>

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

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY  
FISCAL YEAR ENDED JUNE 30, 2001**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Ashtabula Area City School District  
Ashtabula County  
401 W. 44<sup>th</sup> Street  
Ashtabula, Ohio 44005-0290

To the Board of Education:

We have audited the financial statements of Ashtabula Area City School District, Ashtabula County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated March 4, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-11104-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 4, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 4, 2002.

Ashtabula Area City School District  
Ashtabula County  
Report of Independent Accountants on Compliance and on  
Internal Control Required by *Government Auditing Standards*  
Page 2

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

**Jim Petro**  
Auditor of State

March 4, 2002



STATE OF OHIO  
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Ashtabula Area City School District  
Ashtabula County  
401 W. 44<sup>th</sup> Street  
Ashtabula, Ohio 44005-0290

To the Board of Education:

**Compliance**

We have audited the compliance of Ashtabula Area City School District, Ashtabula County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the 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, 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 4, 2002.

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

**Jim Petro**  
Auditor of State

March 4, 2002

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2001**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Title I Grants to Local Education Agencies - CFDA #84.010 Nutrition Cluster - CFDA # 10.550, #10.553, and #10.555 Reading Excellence Act Grant - CFDA #84.338
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

<b>2001-11104-001</b>	
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Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated.

Expenditures exceeded appropriations in the Nelson Endowment Fund at year end. The unfavorable variance is noted below:

<b>Fund</b>	<b>Total Appropriations</b>	<b>Total Actual Expenditures</b>	<b>Unfavorable Variance</b>
Nelson Endowment Fund	\$2,224	\$33,509	\$(31,285)

The Treasurer's Office should monitor expenditures throughout the year at the budgetary level of control to ensure that they do not exceed the appropriations approved by the Board of Education.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ASHTABULA AREA CITY SCHOOL DISTRICT  
ASHTABULA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2001**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i></b>
<b>2000-01</b>	Reportable Condition: Inaccurate fixed asset listing maintained by the District.	No	Partially Corrected: Recommendation will be reissued in the management letter.
<b>2000-02</b>	Reportable Condition & Compliance: Late filing of the Final Expenditure Report and liquidation of expenditures after the required deadline.	Yes	N/A





STATE OF OHIO  
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 11, 2002**