

**ORRVILLE CITY
SCHOOL DISTRICT**



**AUDITED GENERAL PURPOSE
FINANCIAL STATEMENTS
JUNE 30, 2000**



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Education
Orrville City School District
Orrville, OH 44667

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

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

JIM PETRO
Auditor of State

January 29, 2001

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

JUNE 30, 2000

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 19, 2001

To the Board of Education
Orrville City School District
Orrville, OH 44667

Independent Auditor's Report

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

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Orrville City School District as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated January 19, 2001 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 the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Rea & Associates, Inc.

ORRVILLE CITY SCHOOL DISTRICT

Combined Balance Sheet

All Fund Types and Account Groups

June 30, 2000

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 994,799	\$ 267,698	\$ 26,254	\$ 302,344
Restricted Equity in Pooled Cash	151,911	0	0	0
Cash in Segregated Accounts	0	3,785	0	0
Investments	0	0	0	0
Receivables:				
Taxes	5,479,717	0	260,939	782,817
Accounts	7,289	0	0	0
Interfund	6,183	0	0	0
Intergovernmental	2,775	3,498	0	0
Prepaid Items	83,997	4,716	0	0
Inventory Held For Resale	0	0	0	0
Fixed Assets (Net)	0	0	0	0
Total Assets	<u>6,726,671</u>	<u>279,697</u>	<u>287,193</u>	<u>1,085,161</u>
Other Debits				
Amount Available In Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Other Debits	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets and Other Debits	<u>\$ 6,726,671</u>	<u>\$ 279,697</u>	<u>\$ 287,193</u>	<u>\$ 1,085,161</u>
Liabilities				
Accounts Payable	\$ 50,684	\$ 12,883	\$ 0	\$ 27,027
Contracts Payable	0	0	0	34,033
Accrued Wages and Benefits	1,043,714	39,716	0	0
Compensated Absences Payable	116,574	2,101	0	0
Interfund Payable	0	6,183	0	0
Intergovernmental Payable	203,206	13,034	0	0
Deferred Revenue	5,385,026	0	256,430	769,290
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
House/Lot Land Contract	0	0	0	0
Energy Conservation Loan Payable	0	0	0	279,450
Library Improvement Bonds	0	0	0	0
Total Liabilities	<u>6,799,204</u>	<u>73,917</u>	<u>256,430</u>	<u>1,109,800</u>
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	196,854	32,420	0	219,280
Reserved for Taxes Unavailable for Appropriation	94,691	0	4,509	13,527
Reserved for Budget Stabilization	65,663	0	0	0
Reserved for Textbooks	86,248	0	0	0
Unreserved, Undesignated	(515,989)	173,360	26,254	(257,446)
Total Fund Equity and Other Credits	<u>(72,533)</u>	<u>205,780</u>	<u>30,763</u>	<u>(24,639)</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 6,726,671</u>	<u>\$ 279,697</u>	<u>\$ 287,193</u>	<u>\$ 1,085,161</u>

The accompanying notes are an integral part of these financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Accounts Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$ 158,281	\$ 7,656	\$ 55,776	\$ 0	\$ 0	\$ 1,812,808
0	0	0	0	0	151,911
0	0	0	0	0	3,785
0	0	23,638	0	0	23,638
0	0	0	0	0	6,523,473
1,564	0	0	0	0	8,853
0	0	0	0	0	6,183
386	0	0	0	0	6,659
2,976	0	0	0	0	91,689
10,556	0	0	0	0	10,556
45,998	0	0	13,602,379	0	13,648,377
<u>219,761</u>	<u>7,656</u>	<u>79,414</u>	<u>13,602,379</u>	<u>0</u>	<u>22,287,932</u>
0	0	0	0	30,763	30,763
0	0	0	0	3,195,000	3,195,000
0	0	0	0	1,311,244	1,311,244
0	0	0	0	4,537,007	4,537,007
<u>\$ 219,761</u>	<u>\$ 7,656</u>	<u>\$ 79,414</u>	<u>\$ 13,602,379</u>	<u>\$ 4,537,007</u>	<u>\$ 26,824,939</u>
\$ 0	\$ 0	\$ 1,075	\$ 0	\$ 0	\$ 91,669
0	0	0	0	0	34,033
5,952	0	0	0	0	1,089,382
33,602	0	0	0	1,148,285	1,300,562
0	0	0	0	0	6,183
27,475	0	0	0	104,874	348,589
7,907	0	0	0	0	6,418,653
0	0	29,739	0	0	29,739
17,830	0	0	0	0	17,830
0	0	0	0	88,848	88,848
0	0	0	0	0	279,450
0	0	0	0	3,195,000	3,195,000
<u>92,766</u>	<u>0</u>	<u>30,814</u>	<u>0</u>	<u>4,537,007</u>	<u>12,899,938</u>
0	0	0	13,602,379	0	13,602,379
126,995	7,656	0	0	0	134,651
0	0	0	0	0	448,554
0	0	0	0	0	112,727
0	0	0	0	0	65,663
0	0	0	0	0	86,248
0	0	48,600	0	0	(525,221)
<u>126,995</u>	<u>7,656</u>	<u>48,600</u>	<u>13,602,379</u>	<u>0</u>	<u>13,925,001</u>
<u>\$ 219,761</u>	<u>\$ 7,656</u>	<u>\$ 79,414</u>	<u>\$ 13,602,379</u>	<u>\$ 4,537,007</u>	<u>\$ 26,824,939</u>

ORRVILLE 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, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Revenues</u>				
Taxes	\$ 5,302,065	\$ 0	\$ 219,441	\$ 755,918
Intergovernmental	5,117,647	771,337	21,203	68,806
Investment Income	166,283	0	0	4,899
Tuition and Fees	29,201	0	0	0
Extracurricular Activities	0	251,780	0	0
Miscellaneous	32,897	33,390	0	0
Total Revenues	10,648,093	1,056,507	240,644	829,623
<u>Expenditures</u>				
Current:				
Instruction:				
Regular	5,689,758	147,732	0	16,688
Special	643,756	320,221	0	0
Vocational	281,527	0	0	0
Adult Continuing	0	6,597	0	0
Other	68,173	0	0	0
Support Services:				
Pupils	410,716	155,649	0	0
Instructional Staff	560,299	94,857	0	0
Board of Education	163,532	0	0	0
Administration	1,135,466	58,251	0	0
Fiscal	232,773	0	2,992	10,085
Business	126,581	0	0	0
Operation and Maintenance of Plant	1,162,262	500	0	0
Pupil Transportation	358,510	4,349	0	0
Central	21,892	6,012	0	0
Extracurricular Activities	197,650	214,922	0	0
Capital Outlay	6,833	0	0	1,002,427
Debt Service:				
Principal Retirement	0	0	55,000	7,674
Interest and Fiscal Charges	0	0	177,774	15,515
Total Expenditures	11,059,728	1,009,090	235,766	1,052,389
Excess of Revenues Over (Under) Expenditures	(411,635)	47,417	4,878	(222,766)
Fund Balance at Beginning of Year	339,102	158,363	25,885	198,127
Fund Balance (Deficit) at End of Year	\$ (72,533)	\$ 205,780	\$ 30,763	\$ (24,639)

The accompanying notes are an integral part of these financial statements.

Fiduciary Fund Type Expendable Trust	Totals (Memorandum Only)
\$ 0	\$ 6,277,424
0	5,978,993
2,153	173,335
0	29,201
0	251,780
0	66,287
2,153	12,777,020
2,400	5,856,578
0	963,977
0	281,527
0	6,597
750	68,923
0	566,365
0	655,156
500	164,032
0	1,193,717
0	245,850
0	126,581
0	1,162,762
0	362,859
0	27,904
15,054	427,626
0	1,009,260
0	62,674
0	193,289
18,704	13,375,677
(16,551)	(598,657)
65,151	786,628
\$ 48,600	\$ 187,971

ORRVILLE CITY SCHOOL DISTRICT

*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual
All Governmental Fund Types*

For the Fiscal Year Ended Date June 30, 2000

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 5,379,500	\$ 5,310,993	\$ (68,507)	\$ 0	\$ 0	\$ 0
Intergovernmental	5,064,700	5,114,872	50,172	806,147	802,822	(3,325)
Investment Income	200,000	166,173	(33,827)	0	0	0
Tuition and Fees	0	29,334	29,334	0	0	0
Extracurricular Activities	0	0	0	252,833	256,490	3,657
Miscellaneous	0	25,788	25,788	31,135	33,185	2,050
Total Revenues	10,644,200	10,647,160	2,960	1,090,115	1,092,497	2,382
Expenditures						
Current						
Instruction						
Regular	5,823,959	5,737,949	86,010	213,899	159,386	54,513
Special	680,589	643,737	36,852	383,414	317,517	65,897
Vocational	282,449	280,760	1,689	0	0	0
Adult Education	0	0	0	9,372	7,173	2,199
Other	92,539	118,797	(26,258)	0	0	0
Support Services						
Pupils	425,781	451,708	(25,927)	224,612	179,410	45,202
Instructional Staff	553,574	559,074	(5,500)	70,506	94,419	(23,913)
Board of Education	214,665	201,336	13,329	0	0	0
Administration	1,098,116	1,134,876	(36,760)	58,335	60,675	(2,340)
Fiscal	250,084	230,789	19,295	0	0	0
Business	147,482	145,796	1,686	0	0	0
Operation and Maintenance of Plant	1,325,478	1,225,882	99,596	1,000	800	200
Pupil Transportation	340,159	373,614	(33,455)	5,700	6,350	(650)
Central	55,443	21,101	34,342	6,012	6,012	0
Extracurricular Activities	216,800	197,520	19,280	232,479	225,221	7,258
Capital Outlay	9,825	6,833	2,992	0	0	0
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	11,516,943	11,329,772	187,171	1,205,329	1,056,963	148,366
Excess of Revenues Over (Under) Expenditures	(872,743)	(682,612)	190,131	(115,214)	35,534	150,748
Other Financing Sources (Uses)						
Proceeds of Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	414	414	0	205	205
Advances In	0	3,985	3,985	0	6,183	6,183
Advances Out	0	(6,183)	(6,183)	0	(3,985)	(3,985)
Total Other Financing Sources (Uses)	0	(1,784)	(1,784)	0	2,403	2,403
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(872,743)	(684,396)	188,347	(115,214)	37,937	153,151
Fund Balance Beginning of Year	1,308,507	1,308,507	0	157,230	157,230	0
Prior Year Encumbrances Appropriated	274,951	274,951	0	31,013	31,013	0
Fund Balance End of Year	\$ 710,715	\$ 899,062	\$ 188,347	\$ 73,029	\$ 226,180	\$ 153,151

The accompanying notes are an integral part of these financial statements.

DEBT SERVICE FUND			CAPITAL PROJECTS FUND			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 218,000	\$ 219,866	\$ 1,866	\$ 757,300	\$ 757,194	\$ (106)	\$ 6,354,800	\$ 6,288,053	\$ (66,747)
20,900	21,203	303	68,800	68,806	6	5,960,547	6,007,703	47,156
0	0	0	4,500	4,899	399	204,500	171,072	(33,428)
0	0	0	0	0	0	0	29,334	29,334
0	0	0	0	0	0	252,833	256,490	3,657
0	0	0	0	0	0	31,135	58,973	27,838
<u>238,900</u>	<u>241,069</u>	<u>2,169</u>	<u>830,600</u>	<u>830,899</u>	<u>299</u>	<u>12,803,815</u>	<u>12,811,625</u>	<u>7,810</u>
0	0	0	55,158	54,290	868	6,093,016	5,951,625	141,391
0	0	0	0	0	0	1,064,003	961,254	102,749
0	0	0	0	0	0	282,449	280,760	1,689
0	0	0	0	0	0	9,372	7,173	2,199
0	0	0	0	0	0	92,539	118,797	(26,258)
0	0	0	0	0	0	650,393	631,118	19,275
0	0	0	0	0	0	624,080	653,493	(29,413)
0	0	0	0	0	0	214,665	201,336	13,329
0	0	0	0	0	0	1,156,451	1,195,551	(39,100)
6,126	2,992	3,134	10,100	10,085	15	266,310	243,866	22,444
0	0	0	0	0	0	147,482	145,796	1,686
0	0	0	0	0	0	1,326,478	1,226,682	99,796
0	0	0	0	0	0	345,859	379,964	(34,105)
0	0	0	0	0	0	61,455	27,113	34,342
0	0	0	0	0	0	449,279	422,741	26,538
0	0	0	1,234,292	1,224,519	9,773	1,244,117	1,231,352	12,765
55,000	55,000	0	287,124	287,124	0	342,124	342,124	0
177,774	177,774	0	15,515	15,515	0	193,289	193,289	0
<u>238,900</u>	<u>235,766</u>	<u>3,134</u>	<u>1,602,189</u>	<u>1,591,533</u>	<u>10,656</u>	<u>14,563,361</u>	<u>14,214,034</u>	<u>349,327</u>
0	5,303	5,303	(771,589)	(760,634)	10,955	(1,759,546)	(1,402,409)	357,137
0	0	0	279,450	279,450	0	279,450	279,450	0
0	0	0	0	0	0	0	619	619
0	0	0	0	0	0	0	10,168	10,168
0	0	0	0	0	0	0	(10,168)	(10,168)
<u>0</u>	<u>0</u>	<u>0</u>	<u>279,450</u>	<u>279,450</u>	<u>0</u>	<u>279,450</u>	<u>280,069</u>	<u>619</u>
0	5,303	5,303	(492,139)	(481,184)	10,955	(1,480,096)	(1,122,340)	357,756
20,953	20,953	0	96,394	96,394	0	1,583,084	1,583,084	0
0	0	0	447,389	447,389	0	753,353	753,353	0
<u>\$ 20,953</u>	<u>\$ 26,256</u>	<u>\$ 5,303</u>	<u>\$ 51,644</u>	<u>\$ 62,599</u>	<u>\$ 10,955</u>	<u>856,341</u>	<u>1,214,097</u>	<u>\$ 357,756</u>

ORRVILLE CITY SCHOOL DISTRICT

*Combined Statement of Revenues,
Expenses, and Changes in Retained Earnings
All Proprietary Fund Types*

For the Fiscal Year Ended June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues</u>			
Tuition	\$ 450	\$ 0	\$ 450
Charges for Services	316,449	569	317,018
<i>Total Operating Revenues</i>	<u>316,899</u>	<u>569</u>	<u>317,468</u>
<u>Operating Expenses</u>			
Salaries	209,995	751	210,746
Fringe Benefits	88,506	105	88,611
Purchased Services	5,817	8,265	14,082
Materials and Supplies	262,800	1,440	264,240
Depreciation	5,001	0	5,001
Other Operating Expenses	0	1,072	1,072
<i>Total Operating Expenses</i>	<u>572,119</u>	<u>11,633</u>	<u>583,752</u>
Operating (Loss)	<u>(255,220)</u>	<u>(11,064)</u>	<u>(266,284)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Grants	186,282	1,000	187,282
Donated Commodities	59,341	0	59,341
Investment Income	1,321	0	1,321
Interest Expense	(3,513)	0	(3,513)
Other Non-Operating Revenues	0	9,633	9,633
<i>Total Non-Operating Revenues (Expenses)</i>	<u>243,431</u>	<u>10,633</u>	<u>254,064</u>
Net (Loss)	(11,789)	(431)	(12,220)
Retained Earnings Beginning of Year	<u>138,784</u>	<u>8,087</u>	<u>146,871</u>
Retained Earnings End of Year	<u>\$ 126,995</u>	<u>\$ 7,656</u>	<u>\$ 134,651</u>

The accompanying notes are an integral part of these financial statements.

ORRVILLE CITY SCHOOL DISTRICT

Combined Statement of Cash Flows
All Proprietary Fund Types

For the Year Ended Date June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 315,335	\$ 569	\$ 315,904
Cash Paid for Goods and Services	(214,242)	(10,777)	(225,019)
Cash Paid to Employees	(285,347)	(856)	(286,203)
<i>Net Cash (Used For) Operating Activities</i>	<u>(184,254)</u>	<u>(11,064)</u>	<u>(195,318)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	213,683	1,000	214,683
Investment Income	1,321	0	1,321
Other Non-Operating Revenues	0	9,633	9,633
<i>Net Cash Provided By Non-Capital Activities</i>	<u>215,004</u>	<u>10,633</u>	<u>225,637</u>
<u>Cash Flows From Capital Financing Activities</u>			
Principal Payments on Capital Lease	(11,425)	0	(11,425)
Interest Payments on Capital Lease	(3,513)	0	(3,513)
Purchase of Fixed Assets	(2,935)	0	(2,935)
<i>Net Cash (Used For) Non-Capital Activities</i>	<u>(17,873)</u>	<u>0</u>	<u>(17,873)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	12,877	(431)	12,446
Cash and Cash Equivalents at Beginning of Year	<u>145,404</u>	<u>8,087</u>	<u>153,491</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u><u>\$ 158,281</u></u>	<u><u>\$ 7,656</u></u>	<u><u>\$ 165,937</u></u>
<u>Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities</u>			
Operating (Loss)	\$ (255,220)	\$ (11,064)	\$ (266,284)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:			
Depreciation	5,001	0	5,001
Non-cash Donated Commodities	59,341	0	59,341
(Increase) Decrease in Assets:			
Accounts Receivable	(1,564)	0	(1,564)
Inventory	2,423	0	2,423
Prepaid Expenses	73	0	73
Increase (Decrease) in Liabilities:			
Accounts Payable	(5,729)	0	(5,729)
Accrued Wages and Benefits	(146)	0	(146)
Deferred Revenue	(1,660)	0	(1,660)
Compensated Absences Payable	4,740	0	4,740
Intergovernmental Payable	8,487	0	8,487
<i>Total Adjustments</i>	<u>70,966</u>	<u>0</u>	<u>70,966</u>
<i>Net Cash (Used For) Operating Activities</i>	<u><u>\$ (184,254)</u></u>	<u><u>\$ (11,064)</u></u>	<u><u>\$ (195,318)</u></u>

The accompanying notes are an integral part of these financial statements.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Orrville City School District (the District) was 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 school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1999, was 2,045. The District employs 11 administrative staff, 137 certificated and 86 non-certificated employees.

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

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

The District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations, and the Orrville Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations are presented in Notes 17 and 20.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The District has the following fund types and account groups:

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. 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 funds for payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources, other than amounts relating to expendable trusts or major capital projects, that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

Capital Projects Fund - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary or trust funds.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, And Basis of Presentation (Continued)

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

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

Internal Service Fund - Internal service funds are used to account for the financing of goods or services provided by one department or agency to governmental units, on a cost-reimbursement basis.

Fiduciary Fund Types

Fiduciary fund types account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary fund types are as follows:

Expendable Trust Fund - Expendable trust funds are accounted for in essentially the same manner as the governmental funds.

Agency Fund - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the District holds for others in an agency capacity.

Account Groups

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, And Basis of Presentation (Continued)

General Fixed Assets Account Group - This account group is used to account for fixed assets acquired principally for general purposes other than those accounted for in proprietary or trust funds.

General Long-term Obligation Account Group - This account group is used to account for all unmatured long-term obligations of the District that is not a specific liability of the proprietary funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All governmental funds are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary modifications to total appropriations may only be made by resolution of the Board of Education. However, the Treasurer may make appropriation modifications at the function level without a Board of Education resolution as long as total appropriations per fund does not change.

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Wayne County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states that projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process (Continued)

shown in the accompanying “Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types” do not include July 1, 1999 unencumbered fund balances. However, those fund balances are available for appropriations. The District limited the reporting of budgetary comparisons to the governmental funds in compliance with GASB Codification 2400.102 and .110.

Appropriations

A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual Appropriation Resolution must be passed by October 1 of each year for the period July 1 to June 30. The Appropriation Resolution fixes spending authority at the fund level and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified.

The allocation of appropriations among functions within a fund may be modified during the year by the Treasurer. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types” represent the final appropriation amounts including all amendments and modifications. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds 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.

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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the (GAAP) basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balance for subsequent year expenditures.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

During fiscal year 2000, investments were limited to Certificates of Deposit and a repurchase agreement. 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 fiscal year 2000 amounted to \$166,283, which includes \$33,960 assigned from other District funds.

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve and textbook reserve can only be used for capital outlay expenditure and instructional materials and equipment, respectively. During fiscal year 2000, the District set aside the amounts required by State statute. Fund balance reserves have also been established.

E. Receivables

Receivables are reflected at their gross value reduced by the estimated amount that is expected to be uncollectible.

F. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables." Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

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

H. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years. The District's capitalization threshold is five hundred dollars.

I. Accrued Liabilities and Long-Term Obligations

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

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Interfund Transactions

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

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

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligation account group.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. 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 expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, long-term advances to other funds, and HB412 reserves such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Intergovernmental Revenues

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

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund:

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

Non-Reimbursable Grants

Special Revenue Funds:

Martha Holden Jennings Grant
Auxiliary Services
Education Management Information Systems
Eisenhower Grant
Title I
Title II
Title VI
Title VI-B
Title VI-R
Wetlands Ecosystem Grant
Drug-Free Schools
Teacher Development Block Grant
Schoolnet Plus
School-to-Work

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

Capital Projects Funds:

School Net
Geothermal Heating & Cooling Grant
Power Up

Reimbursable Grants

General Fund:

Driver Education
Cross Train Your Brain Grant
Continuous Improvement Grant
Cluster Grant

Proprietary Funds:

National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 45% of the District's operating revenue during the 2000 fiscal year.

N. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the GAAP basis, the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types" 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 the GAAP basis are that:

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types as note disclosure in the proprietary fund type (GAAP basis).
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays note debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The adjustments necessary to convert the results of operations for the year from the budget basis to the GAAP basis for the governmental funds follow:

Excess (Deficiency) of Revenues Over Expenditures and Other
Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
Budget basis	\$(684,396)	\$ 37,937	\$ 5,303	\$ (481,184)
Encumbrances	247,538	45,303	0	231,913
Revenue accruals	(3,466)	(42,378)	(425)	(280,726)
Expenditure accruals	<u>28,689</u>	<u>6,555</u>	<u>0</u>	<u>307,231</u>
GAAP Basis	<u><u>\$ (411,635)</u></u>	<u><u>\$ 47,417</u></u>	<u><u>\$ 4,878</u></u>	<u><u>\$ (222,766)</u></u>

NOTE 4: ACCOUNTABILITY AND COMPLIANCE

Accountability

At June 30, 2000, the following funds had a deficit fund balance: General Fund - \$72,533; Capital Projects Fund Type - \$24,639, which was created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5: DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active monies are public deposits necessary to meet the 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.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

Interim deposits are deposits of interim monies. Interim monies are those 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. 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 or 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 any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
- 6) The State Treasurer's Investment Pool (STAR Ohio).

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.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$1,992,142, which includes \$4,000 cash on hand, and the bank balance was \$2,278,569. Of the bank balance:

1. \$200,000 was covered by federal depository insurance.
2. \$2,078,569 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 1,968,504	\$ 23,638
Certificates of Deposit with maturity greater than three months	<u>23,638</u>	<u>(23,638)</u>
GASB Statement 3	<u>\$ 1,992,142</u>	<u>\$ 0</u>

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6: FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. General Fixed Assets Account Group

The changes in general fixed assets during the year consisted of:

	<u>Balance</u> <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2000</u>
Land	\$ 984,038	\$ 0	\$ 0	\$ 984,038
Buildings and improvements	7,989,446	507,836	0	8,497,282
Furniture and equipment	3,405,157	305,706	(71,095)	3,639,768
Vehicles	437,362	0	0	437,362
Construction in progress	<u>51,240</u>	<u>43,929</u>	<u>(51,240)</u>	<u>43,929</u>
Totals	<u>\$12,867,243</u>	<u>\$ 857,471</u>	<u>\$ (122,335)</u>	<u>\$ 13,602,379</u>

B. Proprietary Fund Type Fixed Assets

Proprietary fund type fixed assets and accumulated depreciation at year-end consisted of:

<u>Enterprise</u>	<u>June 30, 2000</u>
Equipment	\$ 149,741
Less: accumulated depreciation	<u>(103,743)</u>
Net fixed assets	<u>\$ 45,998</u>

NOTE 7: NOTE DEBT

The District's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued is as follows:

	<u>Outstanding</u> <u>6/30/99</u>	<u>Additions</u>	<u>Outstanding</u> <u>Reductions</u>	<u>6/30/00</u>
Capital Projects Funds, HB264, 3.85%	<u>\$ 279,450</u>	<u>\$ 279,450</u>	<u>\$ (279,450)</u>	<u>\$ 279,450</u>

The District issued bond anticipation note debt for the purpose of providing the implementation of energy conservation measures. The note matures July 6, 2000.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: GENERAL LONG-TERM OBLIGATIONS

The changes in the District's general long-term obligations during the fiscal year 2000 were as follows:

	<u>Outstanding June 30, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2000</u>
House/lot land contract, 5% interest rate, due January 15, 2009	\$ 96,522	0	\$ (7,674)	\$ 88,848
Library Improvement Bonds, 5.85% interest Rate, due December 1, 2022	3,250,000	0	(55,000)	3,195,000
Intergovernmental:				
SERS payable	114,192	104,874	(114,192)	104,874
Compensated absences	<u>1,058,029</u>	<u>1,148,285</u>	<u>(1,058,029)</u>	<u>1,148,285</u>
Totals	<u>\$ 4,518,743</u>	<u>\$ 1,253,159</u>	<u>\$(1,234,895)</u>	<u>\$ 4,537,007</u>

The District purchased land and a house on a land contract for a future Oak Street School Capital Improvement on January 5, 1999. The District may pay off the loan early with the consent of the seller. There will be no reduction in the balance due to an early payoff. This note is backed by the full faith and credit of the District.

On December 31, 1997 the District issued \$3,300,000 in voted library improvement bonds for the purpose of improving the Orrville Public Library. The library bond issuance consists of four \$825,000 bonds of like tenor and effect numbered from R-1 through R-4 with a yield varying between 4.00% to 5.8%. The bonds were issued to pay costs of renovating, adding to, improving, furnishing and equipping the existing Orrville Public Library and its site, including acquiring real estate, improving electronic technology and facilitating access by handicapped persons, under authority of and pursuant to the laws of the State of Ohio, particularly Chapter 133 and Section 3375.43 of the Revised Code. The requisite majority vote of District electors were cast at the November 4, 1997 election upon the question of issuing bonds and levying a tax outside the ten mill limitation to pay the principal and interest on those bonds. Resolution No. 1997-43 adopted by the Board of Education on December 15, 1997 (the "Resolution") approved placing the levy on the ballot on behalf of the Orrville Public Library.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: GENERAL LONG-TERM OBLIGATIONS (Continued)

Annual requirements to retire general obligation debt, including notes outstanding at June 30, 2000, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2001	\$ 68,058	\$ 179,686	\$ 247,744
	2002	73,460	176,468	249,928
	2003	78,884	172,940	251,824
	2004	84,328	169,086	253,414
	2005	89,794	164,898	254,692
	Future years	<u>2,889,324</u>	<u>1,751,846</u>	<u>4,641,170</u>
	Total	<u>\$ 3,283,848</u>	<u>\$ 2,614,924</u>	<u>\$ 5,898,772</u>

NOTE 9: CAPITAL LEASES

The District has entered into capitalized lease for a pizza oven. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease interest payments are reflected as interest expense in the combined financial statements for the proprietary fund types.

Enterprise fixed assets consisting of a pizza oven has been capitalized in the food service fund in the amount of \$32,735. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the food service fund. Principal payments in fiscal year 2000 totaled \$14,937 in the enterprise funds.

The following is a schedule of future long-term minimum lease payments required under the capital lease together with the present value of the minimum lease payments as of June 30, 2000:

Fiscal year ending June 30,	2001	\$ 4,979
	2002	9,959
	2003	<u>4,979</u>
Minimum lease payments		19,917
Less: Amount representing interest		<u>(2,087)</u>
Present value of net minimum lease payments		<u>\$ 17,830</u>

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 10: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Wayne County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Wayne County Auditor reappraises real property every six years with a triennial update, the last update for Wayne County was done in 1999. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 1999 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to 46.60 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was 26.41 per \$1,000 of assessed valuation for residential and agricultural real property, and 38.73 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1999 was 46.60 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 2000, was \$112,727.

NOTE 11: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 4321-53634.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$285,636, \$240,372, and \$232,908, respectively. 41% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998. \$142,818, representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 12.0% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were \$903,156, \$862,080, and \$809,496, respectively; 83% has been contributed for fiscal year 2000 and 100% for the fiscal years 1999 and 1998. \$150,526, representing the unpaid contribution for fiscal year 2000 is recorded as a liability within the respective funds.

C. Social Security System

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 12: 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.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$218,992 during the 2000 fiscal year. For the fiscal year ended June 30, 1999, the most current information available, the net health care costs paid by STRS were \$249,929,000 statewide.

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

For this fiscal year, employer contributions to fund health care benefits were 6.30% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 2000, the minimum pay has been established at \$12,400. For the District the amount to fund healthcare benefits, including surcharge, equaled \$160,617 during the 2000 fiscal year. The number of participants currently receiving health care benefits statewide is 51,000. For the fiscal year ended June 30, 1999, the most current information available, net health care costs by School Employees Retirement System were \$126,380,984 statewide.

NOTE 13: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$59,341.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 14: INTERFUND ACTIVITY

As of June 30, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 6,183	\$ 0
Special Revenue Fund:		
Oasis In-School Case Manager	0	5,632
Career Education	<u>0</u>	<u>551</u>
 Total all funds	 <u>\$ 6,183</u>	 <u>\$ 6,183</u>

NOTE 15: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (GAAP basis) was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside cash balance as of				
June 30, 1999	\$ 0	\$ 0	\$ 65,663	\$ 65,663
Current year set-aside requirement	255,925	255,925	0	511,850
Current year offsets	0	(826,001)	0	(826,001)
Qualifying disbursements	<u>(169,677)</u>	<u>(68,092)</u>	<u>0</u>	<u>(237,769)</u>
 Total	 <u>\$ 86,248</u>	 <u>\$ (638,168)</u>	 <u>\$ 65,663</u>	 <u>\$ (486,257)</u>
 Cash balance carried forward to FY 2001	 <u>\$ 86,248</u>	 <u>\$ 0</u>	 <u>\$ 65,663</u>	

A schedule of restricted assets at June 30, 2000 follows:

Amount restricted for textbooks	\$ 86,248
Amount restricted for budget stabilization	<u>65,663</u>
 Total restricted assets	 <u>\$ 151,911</u>

Although the District had qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirements for future years.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 16: CONTRACTUAL COMMITMENTS

As of June 30, 2000, the District had contractual commitments for the Orrville Jr. High School Renovation and Construction Project:

	<u>Contractual Commitment</u>	<u>Cash Disbursed</u>	<u>Balance 6/30/00</u>
CCM Corporation	\$ 198,769	\$ 5,918	\$ 192,851
Schmit Plumbing	58,058	0	58,058
Abbott Electric	<u>38,937</u>	<u>3,342</u>	<u>35,595</u>
	<u>\$ 295,764</u>	<u>\$ 9,260</u>	<u>\$ 286,504</u>

NOTE 17: RELATED ORGANIZATION

The Orrville Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2000. However, the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$3,300,000. The electors of the District approved the levy. See Note 7 for additional disclosures regarding the bond issue.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 18: SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains enterprise funds to account for the operation of school food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000.

	<u>Food Services</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 316,449	\$ 450	\$ 316,899
Operating expenses:			
Salaries and wages	209,582	413	209,995
Fringe benefits	88,273	233	88,506
Contractual services	5,817	0	5,817
Materials and supplies	262,800	0	262,800
Depreciation	<u>5,001</u>	<u>0</u>	<u>5,001</u>
Total operating expenses	<u>571,473</u>	<u>646</u>	<u>572,119</u>
Operating loss	(225,024)	(196)	(255,220)
Non-operating revenues, net	<u>243,431</u>	<u>0</u>	<u>243,431</u>
Net loss	<u><u>\$ (11,593)</u></u>	<u><u>\$ (196)</u></u>	<u><u>\$ (11,789)</u></u>
Other information:			
Net working capital	\$ 120,686	\$ 1,784	\$ 122,470
Fixed assets, net	45,998	0	45,998
Total assets	217,863	1,898	219,761
Total equity	125,211	1,784	126,995
Encumbrances at June 30, 2000	926	0	926

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 19: RISK MANAGEMENT

A. General Insurance

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 a comprehensive property and casualty policy. The deductible is \$500 per incident on property and \$100 per incident on equipment. All vehicles are also insured with a \$250 deductible. All board members, administrators, and employees are covered under a school district liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 per aggregate.

B. Fidelity Bond

The treasurer is covered under a surety bond in the amount of \$20,000. The board president and superintendent each have \$20,000 position bonds.

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The District is not self insured and does not assume any responsibility for liabilities arising from claims for health insurance coverage.

The District has health insurance coverage through Medical Mutual Insurance. There are two types of coverage: a select plan which offers \$1,000,000 per person, per life plan with \$100 deductible per person, or \$200 per family per year and a 80%-20% copayment thereafter.

NOTE 20: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. 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 for member districts. Each of the governments of these districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Education Services Center, which serves as fiscal agent, located at Wooster, Ohio. During the year ended June 30, 2000, the District paid approximately \$30,315 to TCCSA for basic service charges.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 20: JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Wayne County Career Center

The Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists.

NOTE 21: CONTINGENCIES

A. Grants

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

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the general purpose financial statements.

NOTE 22: SCHOOL FUNDING ISSUE

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$4,670,608 of school foundation support for its General Fund.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 22: SCHOOL FUNDING ISSUE (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “. . . the mandate of the Ohio constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997 decision, however, it found seven “. . . major areas warrant further attention, study, and development by the General Assembly. . .”, including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

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

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

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 19, 2001

To the Board of Education
Orrville City School District
Orrville, OH 44667

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

We have audited the general purpose financial statements of Orrville City School District (the "District") as of and for the year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Education, management 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.

Rea & Associates, Inc.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

January 19, 2001

To the Board of Education
Orrville City School District
Orrville, OH 44667

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance with OMB Circular A-133

Compliance

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

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

In our opinion, Orrville City School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

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.

Orrville City School District
Independent Auditor's Report on Compliance with
Requirements Applicable to Each Major Program and Internal
Control Over Compliance in Accordance with OMB Circular A-133
January 19, 2001
Page 2

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.

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the general purpose financial statements of Orrville City School District as of and for the year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended for the information of the Board of Education, management 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.

Hea & Associates, Inc.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2000

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
U. S. DEPARTMENT OF AGRICULTURE					
<i>Passed through Ohio Department of Education:</i>					
Nutrition Cluster:					
Food Distribution	044610 05-PU 2000	10.550	\$ 57,682	\$ 0	\$ 57,682
School Breakfast Program	044610 05-PU 2000	10.553	23,906	23,906	0
National School Lunch Program	044610 05-PU 2000	10.555	174,597	174,597	0
Special Milk Program for Children	044610 05-PU 2000	10.556	2,954	2,954	0
<i>Total U. S. Department of Agriculture</i>			259,139	201,457	57,682
U.S. DEPARTMENT OF LABOR					
<i>Passed through Ohio Department of Education:</i>					
Employment Services and Job Training:	044610 WK-BE 1999	17.249	(2,985)	6,880	0
Pilot and Demonstration Programs	044610 WK-BE 2000		12,487	10,962	0
<i>Total U. S. Department of Labor</i>			9,502	17,842	0
U.S. DEPARTMENT OF EDUCATION					
<i>Passed through Ohio Department of Education:</i>					
Title I Grants to Local Educational Agencies	044610 C1-S1 1998	84.010	0	85	0
	044610 C1-S1 1999		34,983	50,145	0
	044610 C1-S1 2000		346,329	316,284	0
<i>Total Title I</i>			381,312	366,514	0
Title VI-B Special Education Grants to States	044610 6B-SF 1999	84.027	0	38,311	0
	044610 6B-SF 2000		123,211	82,938	0
<i>Total Title VI-B</i>			123,211	121,249	0
Safe & Drug Free Schools & Communities:	044610 DR-S1-1999	84.186	0	4,103	0
State Grants	044610 DR-S1-2000		2,671	1,985	0
<i>Total Drug Free</i>			2,671	6,088	0
Fund for the Improvement of Education	044610 PI-S1 1999	84.215	0	9,196	0
	044610 PI-S1 2000		10,938	7,263	0
<i>Total Fund for the Improvement of Education</i>			10,938	16,459	0
Title II - Eisenhower Professional Development	044610 MS-S1 1998	84.281	0	881	0
State Grants	044610 MS-S1 1999		0	6,203	0
	044610 MS-S1 2000		9,440	4,454	0
<i>Total Title II</i>			9,440	11,538	0
Title VI - Innovative Education Program Strategies	044610 C2-S1 1998	84.298	0	703	0
	044610 C2-S1 1999		1,478	1,785	0
	044610 C2-S1 2000		3,079	2,405	0
<i>Total Title VI</i>			4,557	4,893	0
Title VI-R Class Size Reduction Subsidy	044610 CR-S1 2000	84.340	43,600	35,533	0
<i>Total U. S. Department of Education</i>			575,729	562,274	0
<i>Total Expenditures of Federal Awards</i>			\$ 844,370	\$ 781,573	\$ 57,682

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2000

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditure of federal awards is a summary of the 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 is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2000, the District had no significant food commodities inventory.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

A-133 Ref.
.505(d)

(d) (1) (I)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title VI-B, Special Education Grants to States Title I Grants to Local Educational Agencies	CFDA #84.027 CFDA #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	No

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

<p>4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLANS</p>

Finding Number	Finding Summary	Fully Corrected	Not Corrected; Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
99-001	<u>Material Noncompliance:</u> Fund appropriations exceeded estimated resources contrary to Ohio Rev. Code 5705.39	Yes	N/A
99-002	<u>Material Internal Control Weakness:</u> Recorded appropriations and estimated revenue did not equal certified amounts because amendments were not always recorded.	Yes	N/A



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OFFICE OF THE AUDITOR

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ORRVILLE CITY SCHOOL DISTRICT

WAYNE 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
FEBRUARY 13, 2001**