



**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2000	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund For the Year Ended June 30, 2000	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	8
Budget and Actual Comparison (Non-GAAP Budgetary Basis) All Governmental Fund Types For the Year Ended June 30, 2000	
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balance All Proprietary Fund Types and Nonexpendable Trust Fund For the Year Ended June 30, 2000	10
Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund For the Year Ended June 30, 2000	11
Notes to General Purpose Financial Statements	13
Schedule of Federal Awards Expenditures for the Year ended June 30, 2000	40
Notes to 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 the Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings	47
Schedule of Prior Year Findings	48

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REPORT OF INDEPENDENT ACCOUNTANTS

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Urbana City School District, Champaign County, (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 the Urbana City School District, Champaign County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 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 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.

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

Jim Petro
Auditor of State

January 24, 2001

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**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**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 AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash, cash equivalents and investments	811,362	722,537	101,435	1,000,832
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	8,225,042			688,610
Accounts	222	45		
Accrued interest	8,449			2,532
Interfund loan receivable	64,480			
Due from other governments	1,150	32,991		
Due from other funds	51,832			
Materials and supplies inventory				
Restricted assets:				
Equity in pooled cash and cash equivalents	200,813			
Property, plant and equipment (net of accumulated depreciation where applicable)				
OTHER DEBITS:				
Amount available in Debt Service Fund Amount to be provided for retirement of General Long-Term Obligations				
Total assets and other debits	<u>9,363,350</u>	<u>755,573</u>	<u>101,435</u>	<u>1,691,974</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	71,350	15,699		9,343
Accrued wages and benefits	1,102,533	42,068		
Compensated absences payable	12,977			
Pension obligation payable	204,244			
Interfund loan payable		61,200		1,780
Deferred revenue	7,475,065			644,540
Due to other governments				
Due to other funds		51,832		
Due to students				
Claims payable	134,208			
General obligation bonds payable				
Energy conservation notes payable				
Obligation under capital lease				
Total liabilities	<u>9,000,377</u>	<u>170,799</u>	<u>101,435</u>	<u>655,663</u>
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	424,136	65,601		284,987
Reserved for debt service			101,435	
Reserved for tax revenue unavailable for appropriation	749,977			44,070
Reserved for principal endowment				
Reserved for instructional materials	123,873			
Reserved for budget stabilization	76,940			
Unreserved-undesignated	(1,011,953)	519,173		707,254
Total equity and other credits	<u>362,973</u>	<u>584,774</u>	<u>101,435</u>	<u>1,036,311</u>
Total liabilities, equity and other credits	<u>9,363,350</u>	<u>755,573</u>	<u>101,435</u>	<u>1,691,974</u>

See Accompanying Notes to the General-Purpose Financial Statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
163,411	394,112	88,471			3,282,160
		64,506			64,506
					8,913,652
443	2,026	172			267
					13,622
					64,480
					34,141
11,824					51,832
					11,824
					200,813
77,737			11,922,897		12,000,634
				101,435	101,435
				2,010,079	2,010,079
<u>253,415</u>	<u>396,138</u>	<u>153,149</u>	<u>11,922,897</u>	<u>2,111,514</u>	<u>26,749,445</u>
3,008		109			99,509
14,513					1,159,114
11,248				1,397,468	1,421,693
31,318				107,085	342,647
		1,500			64,480
7,275					8,126,880
		6,369			6,369
					51,832
		36,745			36,745
					134,208
				135,000	135,000
				327,464	327,464
				144,497	144,497
<u>67,362</u>		<u>44,723</u>		<u>2,111,514</u>	<u>12,050,438</u>
			11,922,897		11,922,897
186,053	396,138				582,191
		21,187			795,911
					101,435
					794,047
		42,562			42,562
					123,873
					76,940
		44,677			259,151
<u>186,053</u>	<u>396,138</u>	<u>108,426</u>	<u>11,922,897</u>		<u>14,699,007</u>
<u>253,415</u>	<u>396,138</u>	<u>153,149</u>	<u>11,922,897</u>	<u>2,111,514</u>	<u>26,749,445</u>

URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	6,963,832			678,812	7,642,644
Tuition	106,200				106,200
Earnings on investments	171,554	1,114		24,042	197,106
Other local revenues	23,907	368,920			436,632
Other revenue	43,214				43,694
Intergovernmental - State	6,075,711	138,020		205,000	6,418,731
Intergovernmental - Federal		942,253			942,253
Total revenue	<u>13,384,418</u>	<u>1,450,307</u>		<u>907,854</u>	<u>15,787,260</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,091,523	573,525		144,615	6,825,147
Special	1,203,605	286,078			1,489,683
Vocational	276,888				276,888
Other	92,926				92,926
Support services:					
Pupil	1,040,568	265,771			1,318,931
Instructional staff	282,246	8,870			291,116
Board of Education	18,429				18,429
Administration	1,551,393	36,562		15,033	1,602,988
Fiscal	164,277				164,277
Business	125,277	169,934			295,211
Operations and maintenance	994,303				994,303
Pupil transportation	478,248				478,248
Central	97,939				97,939
Community services		77,207			77,207
Extracurricular activities	334,411	178,951			513,362
Facilities services				1,020,302	1,034,428
Debt service:					
Principal retirement			107,895		107,895
Interest and fiscal charges			37,646		37,646
Total expenditures	<u>12,752,033</u>	<u>1,596,898</u>	<u>145,541</u>	<u>1,179,950</u>	<u>15,716,624</u>
Excess (deficiency) of revenues over (under) expenditures	632,385	(146,591)	(145,541)	(272,096)	2,479
Other financing sources (uses):					
Operating transfers in			135,701		135,701
Operating transfers out	(87,524)			(48,177)	(135,701)
Proceeds of bonds				455,888	455,888
Proceeds from sale of assets	12,548				12,548
Total other financing sources (uses)	<u>(74,976)</u>		<u>135,701</u>	<u>407,711</u>	<u>468,436</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	557,409	(146,591)	(9,840)	135,615	2,479
Fund balance, July 1 (restated)	(194,436)	731,365	111,275	900,696	1,590,169
Fund balance, June 30	<u>362,973</u>	<u>584,774</u>	<u>101,435</u>	<u>1,036,311</u>	<u>2,129,241</u>

See Accompanying Notes to the General-Purpose Financial Statements.

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**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000**

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	6,570,000	6,572,262	2,262			
Tuition	106,300	106,200	(100)			
Earnings on investments	175,000	175,104	104	1,100	1,114	14
Other local revenues	24,150	24,040	(110)	367,962	368,886	924
Other revenue	42,500	43,300	800			
Intergovernmental - State	6,077,918	6,074,911	(3,007)	138,018	138,020	2
Intergovernmental - Federal				828,084	915,147	87,063
Total revenues	<u>12,995,868</u>	<u>12,995,817</u>	<u>(51)</u>	<u>1,335,164</u>	<u>1,423,167</u>	<u>88,003</u>
Expenditures:						
Current:						
Instruction:						
Regular	6,507,429	6,277,944	229,485	553,126	550,140	2,986
Special	1,220,062	1,218,189	1,873	299,727	299,056	671
Vocational	296,916	295,910	1,006			
Other	114,413	114,404	9			
Support services:						
Pupil	1,054,686	1,051,821	2,865	265,827	270,974	(5,147)
Instructional staff	296,913	290,749	6,164	9,521	8,845	676
Board of Education	18,912	18,805	107			
Administration	1,568,302	1,558,880	9,422	37,599	37,559	40
Fiscal	169,928	169,342	586			
Business	122,604	122,139	465	177,654	172,575	5,079
Operations and maintenance	1,206,307	1,029,667	176,640			
Pupil transportation	666,198	644,281	21,917			
Central	194,727	194,645	82			
Community services				84,156	84,151	5
Extracurricular activities	336,400	336,222	178	212,197	193,722	18,475
Facilities services						
Debt service:						
Principal retirement						
Interest and fiscal charges						
Total expenditures	<u>13,773,797</u>	<u>13,322,998</u>	<u>450,799</u>	<u>1,639,807</u>	<u>1,617,022</u>	<u>22,785</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(777,929)</u>	<u>(327,181)</u>	<u>450,748</u>	<u>(304,643)</u>	<u>(193,855)</u>	<u>110,788</u>
Other financing sources (uses):						
Refund of prior year's expenditures	6,270	6,270	0			
Operating transfers in	355,570	355,570	0	0	0	
Operating transfers (out)	(443,094)	(443,094)	0			
Advances in	156,900	156,900	0	61,200	61,200	0
Advances (out)	(221,905)	(221,380)	525			
Proceeds of sale of bonds	12,500	12,548	48			
Total other financing sources (uses)	<u>(133,759)</u>	<u>(133,186)</u>	<u>573</u>	<u>61,200</u>	<u>61,200</u>	<u>0</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(911,688)</u>	<u>(460,367)</u>	<u>451,321</u>	<u>(243,443)</u>	<u>(132,655)</u>	<u>110,788</u>
Fund balances, July 1	800,821	800,821	0	742,346	742,346	0
Prior year encumbrances appropriated	<u>180,555</u>	<u>180,555</u>	<u>0</u>	<u>42,556</u>	<u>42,556</u>	<u>0</u>
Fund balances, June 30	<u>69,688</u>	<u>521,009</u>	<u>451,321</u>	<u>541,459</u>	<u>652,247</u>	<u>110,788</u>

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			667,931	667,905	(26)	7,237,931	7,240,167	2,236
						106,300	106,200	(100)
			21,500	21,510	10	197,600	197,728	128
						392,112	392,926	814
						42,500	43,300	800
			205,234	205,250	16	6,421,170	6,418,181	(2,989)
						828,084	915,147	87,063
			894,665	894,665	0	15,225,697	15,313,649	87,952
			149,192	145,140	4,052	7,209,747	6,973,224	236,523
						1,519,789	1,517,245	2,544
						296,916	295,910	1,006
						114,413	114,404	9
			0	0		1,320,513	1,322,795	(2,282)
						306,434	299,594	6,840
			0	0		18,912	18,805	107
			15,100	15,033	67	1,621,001	1,611,472	9,529
0	0		0	0		169,928	169,342	586
						300,258	294,714	5,544
			0	0		1,206,307	1,029,667	176,640
						666,198	644,281	21,917
						194,727	194,645	82
			0	0		84,156	84,151	5
						548,597	529,944	18,653
			1,389,523	1,326,921	62,602	1,389,523	1,326,921	62,602
82,350	82,350	0	25,550	25,545	5	107,900	107,895	5
15,014	15,014	0	22,650	22,632	18	37,664	37,646	18
97,364	97,364	0	1,602,015	1,535,271	66,744	17,112,983	16,572,655	540,328
(97,364)	(97,364)	0	(707,350)	(640,606)	66,744	(1,887,286)	(1,259,006)	628,280
						6,270	6,270	0
87,524	87,524	0	0	0		443,094	443,094	0
						(443,094)	(443,094)	0
			1,780	1,780	0	219,880	219,880	0
			0	0		(221,905)	(221,380)	525
			455,888	455,888	0	468,388	468,436	48
87,524	87,524	0	457,668	457,668	0	472,633	473,206	573
(9,840)	(9,840)	0	(249,682)	(182,938)	66,744	(1,414,653)	(785,800)	628,853
111,275	111,275	0	734,912	734,912	0	2,389,354	2,389,354	0
			154,528	154,528	0	377,639	377,639	0
101,435	101,435	0	639,758	706,502	66,744	1,352,340	1,981,193	628,853

URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	70,103			70,103
Sales/charges for services	373,330	66,776		440,106
Interest revenue			1,785	1,785
Other operating revenues			39,760	39,760
Total operating revenues	443,433	66,776	41,545	551,754
Operating expenses:				
Personal services	149,318			149,318
Contract services	465,901			465,901
Materials and supplies	99,181			99,181
Depreciation	9,087			9,087
Other			2,150	2,150
Total operating expenses	723,487	0	2,150	725,637
Operating income (loss)	(280,054)	66,776	39,395	(173,883)
Nonoperating revenues:				
Operating grants	200,362			200,362
Federal commodities	36,741			36,741
Interest revenue	3,404	17,519		20,923
Total nonoperating revenues	240,507	17,519	0	258,026
Net income(loss)from continuing operations	(39,547)	84,295	39,395	84,143
Discontinued operations:				
Income from operations of discontinued Latchkey Program	8,139			8,139
Retained earnings/fund balance July 1(restated)	217,461	311,843	25,283	554,587
Retained earnings/fund balance June 30	186,053	396,138	64,678	646,869

See Accompanying Notes to the General Purpose Financial Statements.

URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:				
Cash received from tuition and fees	70,145			70,145
Cash received from sales/service charges	373,382	66,776		440,158
Cash received from discontinued operations	67,518			67,518
Cash received from other operations			41,787	41,787
Cash payments for personal services	(141,123)			(141,123)
Cash payments for personal services of discontinued operations	(49,709)			(49,709)
Cash payments for contract services	(465,901)			(465,901)
Cash payments for contract services of discontinued operations	(992)			(992)
Cash payments for supplies and materials	(59,698)			(59,698)
Cash payments for supplies and materials of discontinued operations	(9,776)			(9,776)
Cash payments for other expenses			(2,150)	(2,150)
Net cash provided by (used in) operating activities	(216,154)	66,776	39,637	(109,741)
Cash flows from noncapital financing activities:				
Cash received from operating grants	250,442			250,442
Net cash provided by noncapital financing activities	250,442			250,442
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(4,995)			(4,995)
Net cash used in capital and related financing activities	(4,995)			(4,995)
Cash flows from investing activities:				
Interest received	2,961	15,493	1,813	20,267
Net cash provided by investing activities	2,961	15,493	1,813	20,267
Net increase in cash and cash equivalents	32,254	82,269	41,450	155,973
Cash and cash equivalents at beginning of year	131,157	311,843	23,056	466,056
Cash and cash equivalents at end of year	163,411	394,112	64,506	622,029
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	(280,054)	66,776	39,395	(173,883)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	9,087			9,087
Federal donated commodities	36,741			36,741
Interest reported as operating revenue			(1,785)	(1,785)
Net effect of discontinued operations	8,139			8,139
Changes in assets and liabilities:				
Increase in supplies inventory	(1,537)			(1,537)
Decrease in accounts receivable	304		2,027	2,331
Increase in accounts payable	3,008			3,008
Decrease in accrued wages & benefits	(2,710)			(2,710)
Increase in compensated absences payable	8,127			8,127
Increase in pension obligation payable	1,470			1,470
Increase in deferred revenue	1,271			1,271
Net cash provided by (used in) operating activities	(216,154)	66,776	39,637	(109,741)

See Accompanying Notes to the General Purpose Financial Statements.

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**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT

Urbana City School District (the "District") is a political body incorporated and 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 district as defined by Ohio Rev. Code Section 3311.02. The District operates under an elected Board of Education (five members) and is responsible for the provision of public education to residents of the District.

The District is the 235th largest in the State of Ohio (among 660 public and community school districts) in terms of enrollment. It currently operates one elementary school and one comprehensive middle/high school. The District is staffed by 89 non-certified and 167 certificated personnel to provide services to approximately 2,377 students and other community members.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 organization's 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 entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

1. Jointly Governed Organizations

Western Ohio Computer Organization - The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, Miami and Shelby counties. WOCO 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.

The superintendent of each member district is seated in the assembly, which elects a Board of Directors for the Consortium, and approves major items proposed by the Board of Directors, such as the annual budget, fees schedule, and new cooperative ventures. The Board of Directors is comprised of eleven members, including two superintendents from member districts in each county and the superintendent of the entity serving as its fiscal agent (currently the Shelby County Educational Service Center). Financial information is available from Lewis Ivey, Jr., Administrator, 129 East Court Street, Sidney, Ohio 45265.

Metropolitan Education Council - The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of nearly 124 districts in 22 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by MEC. The governing board of MEC consists of one voting representative from each member district. Financial information is available from Elmo Kallner, Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

Ohio Hi-Point Joint Vocational School District - The Ohio Hi-Point Joint Vocational School District (JVS) is a distinct political subdivision of the State of Ohio. The JVS is operated under the direction of a Board consisting of one representative from each of the participating school district's elected boards. The Board possesses its own budgeting and taxing authority. Financial information is available from the Treasurer of the Ohio Hi-Point Joint Vocational School District, 2280 State Route 540, Bellefontaine, Ohio 43311.

The District is also a participant in a public entity risk sharing pool, discussed in Note 11.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. 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. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Types:

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund types:

Enterprise Funds

The Enterprise Funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting (Continued)

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

Trust and Agency Funds

These 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, and/or other funds. These include Expendable Trust, Nonexpendable Trust and Agency Funds. Expendable Trust Funds are accounted for in essentially the same manner as Governmental funds. Nonexpendable Trust funds are accounted for in essentially the same manner as Proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

4. 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 general nature, the following account groups are used:

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the Proprietary or Nonexpendable Trust funds.

General Long-Term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the Proprietary or Nonexpendable Trust 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 the Expendable Trust Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All Proprietary Funds and the Nonexpendable Trust Fund 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. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus/Basis of Accounting (Continued)

The modified accrual basis of accounting is followed for Governmental and Expendable Trust 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, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. 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 prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in Governmental funds.

The Proprietary funds and the Nonexpendable Trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

D. Budgets

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 amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

1. Prior to January 15 of the preceding year, 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 expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.
3. 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations 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.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interest loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund must be approved by the Board of Education.
7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board as follows:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets (Continued)

	<u>Increase</u>	<u>(Decrease)</u>
General Fund	\$538,833	
Special Revenue		\$(400,747)
Debt Service		(2,000)
Capital Projects		(295,657)
Enterprise	15,621	
Trust Funds		<u>(29,788)</u>
Total	<u>\$554,454</u>	<u>\$ 728,192</u>

9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 15 provides a reconciliation of the budgetary and GAAP basis of accounting and Note 12 discloses encumbrances outstanding for the Enterprise funds at fiscal year end.

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 Cash Equivalents" and "Investments" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit are reported at cost.

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

Under existing Ohio statutes, all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during fiscal 2000 amounted to \$171,554, which includes \$107,129 assigned from other District funds.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments,(Continued)

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. Inventory

Inventories of Proprietary Funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$250. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, nor is interest on debt issued to construct or acquire general fixed assets. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Assets Account Group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	7-20

H. Intergovernmental Revenues

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations (excluding commodities) are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Auxiliary Services
Instructional Materials Subsidy
Education for Economic Security Act
Management Information Systems
Title VI-B
SchoolNet Professional Development
Title I
Title VI
School Improvement Models
Drug Free School Grant
Ohio Reads
Teacher Development

Capital Projects Funds

School Net
Vocational Education Equipment
Power-Up Grant

Reimbursable Grants

General Fund

School Bus Purchase Reimbursement

Proprietary Funds

National School Breakfast Program
National School Lunch Program

Special Revenue Funds

Telecommunication

Grants and entitlements amounted to over 46% of the District's operating revenue during the 2000 fiscal year.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service and all employees with at least twenty years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance of Governmental Fund type employees meeting the above requirements have been recorded in the appropriate Governmental Fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave for employees meeting the above requirements who are paid from Proprietary funds is recorded as an expense when earned.

J. Statutory Reserves

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

	Instructional Materials	Capital Acquisition	Budget Stabilization
Set-aside cash balance as of July 1, 1999	\$ 80,916	\$ 0	\$76,940
Current year set-aside requirement	284,570	284,570	0
Current year offsets	0	0	0
Qualifying disbursements	<u>(241,613)</u>	<u>(556,966)</u>	<u>0</u>
Total, June 30, 2000	<u>123,873</u>	<u>(272,396)</u>	<u>76,940</u>
Cash balance carried forward to FY 2000	<u>\$ 123,873</u>	<u>\$ 0</u>	<u>\$76,940</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 of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Statutory Reserves (Continued)

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

Amount restricted for budget stabilization	\$ 76,940
Amount restricted for instructional materials	<u>123,873</u>
Total restricted assets	<u>\$200,813</u>

K. 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, compensated absences and contractually required pension contributions 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. Payments made more than sixty days after year-end are generally considered not to have been paid with current available 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.

L. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, tax advance unavailable for appropriation, instructional materials, and budget stabilization. In addition, although the Nonexpendable Trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment. The reserve for tax advance unavailable for appropriation represents property taxes recognized as revenue under GAAP but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

M. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. J. for statutory reserves.

N. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Transactions (Continued)

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education Resolution are reflected as "interfund loans receivable or payable." Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

O. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its Proprietary and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Estimates

The preparation of GPFS in conformity with GAAP 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.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Total Columns on the General Purpose Financial Statements

Total columns on the GPFS 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 GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY

A. Prior Period Adjustments

1. The District has presented a restatement of the General Long-Term Obligations Account Group to properly reflect the beginning balance of compensated absences payable at July 1, 1999. In the prior fiscal year, the liability excluded employees expected to become eligible to retire in the future.

	Balance as Previously Reported June 30, 1999	Adjustment	Restated Balance July 1, 1999
General Long-Term Obligations Account Group	\$1,020,107	\$720,654	\$1,740,761

2. At July 1, 1999, the District has presented a restatement of fixed assets. The effect of these adjustments to fixed assets and retained earnings as previously reported is as follows:

	Investment in General Fixed Assets/ Retained Earnings as Previously Reported June 30, 1999	Adjustment	Restated Amounts July 1, 1999
General Fixed Assets Account Group	\$11,221,192	\$281,100	\$11,502,292
<u>Enterprise Funds</u>			
Property, plant and equipment	238,638	5,950	244,588
Accumulated depreciation	152,585	5,179	157,764
Retained earnings	216,690	771	217,461

3. The District has presented a restatement of claims payable. The effect of this adjustment to fund balance and retained earnings as previously reported is as follows:

	Fund Balance/Retained Earnings/ as Previously Reported June 30, 1999	Adjustment	Restated Fund Balance/ Retained Earnings July 1, 1999
General Fund	\$57,662	\$(252,098)	\$(194,436)
Internal Service Fund	59,745	252,098	311,843

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS

Statutes require the classification of monies held by the District into three categories:

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

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public 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 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 other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand: At fiscal year end, the District had \$100 in undeposited cash on hand, which is included on the combined balance sheet as part of "Equity in Pooled Cash and Cash Equivalents", but is not included in the total amount of deposits reported below.

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

Deposits: At year end, the carrying amount of the District's deposits was \$3,522,249 and the bank balance was \$3,855,183 (both amounts include \$37,395 in non-negotiable certificates of deposit, but are exclusive of payroll clearance accounts). Of the bank balance:

1. \$240,679 was covered by federal deposit insurance.
2. \$3,614,504 was uninsured and unregistered because it was secured by collateral held by third party trustees pursuant to Section 135.181, Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities were not in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment because it is not evidenced by securities that exist in physical or book entry form.

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, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of equity in pooled cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	<u>Equity in Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$3,547,479	
Investments of the cash management pool:		
STAR Ohio	(25,130)	\$25,130
Cash on hand	<u>(100)</u>	<u> </u>
GASB Statement No. 3	<u>\$3,522,249</u>	<u>\$25,130</u>

5. INTERFUND TRANSACTIONS

A. The following is a reconciliation of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$ (87,524)
Debt Service Fund	\$135,701	
<u>Capital Projects Funds</u>		
Permanent Improvements	<u> </u>	<u>(48,177)</u>
Total	<u>\$135,701</u>	<u>\$(135,701)</u>

B. Interfund reimbursements at June 30, 2000 consist of the following:

	<u>Due From Other Funds</u>	<u>Due (To) Other Funds</u>
General	\$51,832	
<u>Special Revenue</u>		
Class Reduction Grant	<u> </u>	<u>\$(51,832)</u>
Total	<u>\$51,832</u>	<u>\$(51,832)</u>

C. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loans Receivable</u>	<u>Interfund Loans (Payable)</u>
General Fund	\$64,480	
<u>Special Revenue Funds</u>		
Ohio Reads Grant		\$ (1,200)
Raising the Bar Grant		(60,000)
<u>Capital Projects Funds</u>		
SchoolNet		(825)
Power-up Technologies		(955)
Expendable Trust Fund	<u> </u>	<u>(1,500)</u>
Total	<u>\$64,480</u>	<u>\$(64,480)</u>

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market value, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year.

Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected are as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Real Property	\$175,555,158	74.10	\$175,386,449	73.93
Tangible Personal Property	45,956,955	19.40	45,625,570	19.23
Public Utility Personal	<u>15,348,720</u>	<u>6.50</u>	<u>16,226,650</u>	<u>6.84</u>
	<u>\$236,860,833</u>	<u>100.00</u>	<u>\$237,238,669</u>	<u>100.00</u>

Voted tax rate per \$1,000 of assessed valuation:

Operations	\$45.00	\$45.00
Permanent Improvement	3.50	3.50

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Champaign County Treasurer collects property taxes on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

6. PROPERTY TAXES (Continued)

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end. Available tax advances at June 30, 2000 totaled \$749,977 in the General fund and \$44,070 in the Permanent Improvements fund.

7. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), accrued interest and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$8,225,042
Interfund Loan	64,480
Accrued interest	8,449
 <u>Special Revenue Funds</u>	
Due from other governments	32,991
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	688,610

8. FIXED ASSETS

A summary of the changes in the General Fixed Assets Account Group during the fiscal year follows:

	Restated Balance <u>July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2000</u>
Land/improvements	\$ 594,570			\$ 594,570
Buildings/improvements	6,867,500			6,867,500
Furniture/equipment	3,484,690	\$401,712		3,886,402
Vehicles	<u>555,532</u>	<u>18,893</u>	<u> </u>	<u>574,425</u>
 Total	 <u>\$11,502,292</u>	 <u>\$420,605</u>	 <u>\$ 0</u>	 <u>\$11,922,897</u>

There was no significant construction in progress at June 30, 2000.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

8. FIXED ASSETS (Continued)

A summary of the Proprietary fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 244,588
Less: accumulated depreciation	<u>(166,851)</u>
Net fixed assets	<u>\$ 77,737</u>

9. CAPITALIZED LEASES - LESSEE DISCLOSURE

The District has entered into capital lease agreements for modular classrooms. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the General Fixed Assets Account Group in the amount of \$260,200, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the General Long-Term Obligations Account Group. Principal payments in the 2000 fiscal year totaled \$49,885. This amount is reflected as principal retirement in the Debt Service fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2000:

<u>Year Ending June 30</u>	<u>General Long-Term Obligations</u>	<u>Modular Classrooms</u>
2001		\$ 53,858
2002		53,858
2003		<u>53,858</u>
Total future minimum lease payments		161,574
Less: amount representing interest		<u>(17,077)</u>
Present value of future minimum lease payments		<u>\$144,497</u>

The District does not have capitalized lease obligations after fiscal year 2003.

10. LONG-TERM OBLIGATIONS

A. Energy conservation notes outstanding are general obligations of the District, for which the District's full faith and credit are pledged for repayment. Accordingly, these notes are accounted for in the General Long-Term Debt Obligations Group. Payments of principal and interest relating to these notes are recorded as expenditures in the Debt Service fund; however, unlike general obligation bonds, Ohio statute allows for the issuance of energy conservation notes without voter approval, and the subsequent repayment of the notes from operating revenues.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

The following is a description of the District's energy conservation notes outstanding as of June 30, 2000:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding July 1, 1999</u>	<u>Issued in 2000</u>	<u>Retired in 2000</u>	<u>Notes Outstanding June 30, 2000</u>
Energy Conservation Notes	7.4%	12/01/90	12/01/00	\$64,929		\$(32,465)	\$ 32,464
Energy Conservation Notes	5.6%	12/01/99	06/01/14	<u>0</u>	<u>\$311,545</u>	<u>(16,545)</u>	<u>295,000</u>
				<u>\$64,929</u>	<u>\$311,545</u>	<u>\$(49,010)</u>	<u>\$327,464</u>

B. The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Year Ending June 30</u>	<u>Principal on Energy Conservation Notes</u>	<u>Interest on Energy Conservation Notes</u>	<u>Total</u>
2001	\$ 47,464	\$ 15,951	\$ 63,415
2002	15,000	14,000	29,000
2003	15,000	13,383	28,383
2004	15,000	12,750	27,750
2005	20,000	13,365	33,365
2006 - 2010	105,000	49,944	154,944
2011 - 2015	<u>110,000</u>	<u>16,706</u>	<u>126,706</u>
Total	<u>\$327,464</u>	<u>\$136,099</u>	<u>\$463,563</u>

C. During the current fiscal year, the District issued un-voted general obligation bonds to provide funds for building improvements (new boilers). These bonds are general obligations of the District for which the full faith and credit of the District are pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group.

By agreement with the County Budget Commission, and in accordance with Ohio law, the District has converted a portion of its "inside", or un-voted millage to provide the source of repayment for these bonds. Ohio statutes allow for the issuance of un-voted general obligation debt to the extent that the par amount of said debt does not exceed 1/10 of 1% of the valuation (at issuance date) of the District.

The following is a description of the District's General Obligation bonds outstanding as of June 30, 2000:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

10. LONG-TERM OBLIGATIONS (Continued)

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Issued in Fiscal 2000</u>	<u>Retired in Fiscal 2000</u>	<u>Bonds Outstanding 6/30/2000</u>
Facilities Improvement	5.501%	07/06/99	06/01/09	<u>\$144,000</u>	<u>\$(9,000)</u>	<u>\$135,000</u>

D. The following is a summary of the District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 10,000	\$ 6,750	\$ 16,750
2002	15,000	6,250	21,250
2003	15,000	5,775	20,775
2004	15,000	4,988	19,988
2005	15,000	4,200	19,200
2006 - 2010	<u>65,000</u>	<u>9,435</u>	<u>74,435</u>
Total	<u>\$135,000</u>	<u>\$37,398</u>	<u>\$172,398</u>

E. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation payable will be paid from the fund in which the employee was paid.

	<u>Restated Balance July 1, 1999</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2000</u>
General obligation bonds		\$144,000	\$ (9,000)	\$ 135,000
Compensated absences	\$1,381,027	16,441		1,397,468
Pension obligation payable	100,423	107,085	(100,423)	107,085
Energy conservation notes	64,929	311,545	(49,010)	327,464
Capital lease obligation	<u>194,382</u>		<u>(49,885)</u>	<u>144,497</u>
Total	<u>\$1,740,761</u>	<u>\$579,071</u>	<u>\$(208,318)</u>	<u>\$2,111,514</u>

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code further provides that un-voted indebtedness for energy conservation measures shall not exceed 9/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$21,452,915 (including available funds of \$101,435), an unvoted debt margin of \$102,239, and an unvoted energy conservation debt margin of \$1,807,684.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT

A. Comprehensive and Employee Health

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 obtained risk management by traditional means of insuring through a commercial company.

With the exception of a deductible, the risk of loss transfers entirely from the District to the commercial company. The District has obtained commercial insurance for the following risks:

- Education Liability Policy
- Business Auto Coverage
- Commercial Property Coverage
- Commercial Crime Coverage
- Inland Marine Coverage.

In fiscal year 1999, the District began to provide employee medical/surgical benefits through a self insurance program. The District maintains a self-insurance internal service fund to account for and finance its required reserves for this program. Monthly premiums and claims are paid from the fund from which each employee is paid. This plan provides a medical/surgical plan with a \$200 family and \$100 single deductible. A third party administrator, Benefit Services, Inc. reviews all claims, which are then paid by the District. The District purchases stop-loss coverage of \$60,000 per employee per year, and \$1.0 million group aggregate for fiscal 2000. The District pays 100% of the monthly premium, which is \$50.99 for family coverage or \$35.35 for individual coverage.

The claims liability of \$134,208 reported at June 30, 2000, is based on the requirements of GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on actuarial assumptions supplied by the District's third party administrator.

Changes in the claims liability for the current fiscal year are as follows:

Balance at <u>7/01/99</u>	Current Year Claims and Changes in Estimates	Claim Payments	Balance at <u>6/30/00</u>
\$252,098	\$823,111	\$(941,000)	\$134,208

The District continues to carry commercial insurance for all others risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal 1999.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 14. As such, no funding provisions are required by the District.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

11. RISK MANAGEMENT (Continued)

B. Worker's Compensation

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the 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. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

12. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three Enterprise funds to account for the operations of food service, uniform school supplies and special enterprises. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Special Enterprises</u>	<u>Total</u>
Operating revenue	\$ 373,330	\$70,103		\$ 443, 433
Operating revenue from Discontinued Operations			\$67,308	67,308
Depreciation	9,087			9,087
Operating income (loss)	(288,047)	7,993		(280,054)
Operating income from Discontinued Operations			8,139	8,139
Non-operating revenues:				
Operating grants	200,362			200,362
Donated commodities	36,741			36,741
Net income (loss)	(47,540)	7,993		(39,547)
Net income from Discontinued Operations			8,139	8,139
Net working capital	67,761	34,198	17,605	119,564
Fixed assets:				
Additions	4,995			4,995
Total assets	193,494	37,206	22,715	253,415
Long-term liabilities				
Payable from fund revenues	11,248			11,248
Total equity	134,250	34,198	17,605	186,053
Encumbrances at 6/30/00		5,027	35	5,062

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts 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 \$311,156, \$290,982, and \$224,790, respectively; 53 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$145,296, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, 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, 2000, 1999, and 1998 were \$1,076,860, \$1,073,735, and \$974,372, respectively; 85 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$163,316, 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, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

14. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$615,349 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.9 million and STRS had 95,796 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll, an increase from 6.30 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, 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, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$175,123 during the 2000 fiscal year.

15. BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - 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:

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

15. BUDGETARY BASIS OF ACCOUNTING (Continued)

- a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(460,367)	\$(132,655)	\$ (9,840)	\$(182,938)
Net adjustment for revenue accruals	388,601	27,140		13,189
Net adjustment for expenditure accruals	79,999	(50,166)	(48,177)	60,991
Net adjustment for other financing sources (uses)	58,210	(61,200)	48,177	(49,957)
Encumbrances (budget basis)	<u>491,166</u>	<u>70,290</u>	<u> </u>	<u>294,330</u>
GAAP basis	<u>\$ 557,409</u>	<u>\$(146,591)</u>	<u>\$ (9,840)</u>	<u>\$ 135,615</u>

16. CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

16. CONTINGENCIES (Continued)

B. Litigation

The District is not currently a party to any legal proceedings.

C. School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$5,486,412 of total school foundation support, for its General fund.

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

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

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

17. DISCONTINUED OPERATIONS

During the fiscal year, the Board of Education acted to terminate the operations of the District's LatchKey Program, which was a major segment of the District's Enterprise fund operations. In a public meeting on August 3, 1999, it was determined to discontinue the program, effective June 30, 2000. The Champaign County YMCA will begin operating the LatchKey Program on July 1, 2000. Accounts receivable and payable, and operating income have been reported in the financial statements. The District anticipates that any residual equity will be transferred to the General fund.

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-99	84.027			77,726	
	6B-SF-00		210,384		168,997	
Total Special Education Grants to States			210,384		246,723	
<i>Administered by Madison/Champaign Educational Service Center On Behalf Of the District:</i>						
Special Education - Preschool Grant	N/A	84.173	27,952		27,952	
Total Special Education Cluster			238,336		274,675	
<i>Passed Through Ohio Department of Education:</i>						
Grants to Local Educational Agencies (ESEA Title I)						
	C1-S1-99	84.010			98,080	
	C1-S1-00		281,419		217,234	
Total ESEA Title I			281,419		315,314	
Drug-Free Schools Grant	DR-S1-99	84.186			5,180	
	DR-S1-00		10,274		5,329	
Total Drug-Free Schools Grant			10,274		10,509	
Goals 2000 - State and Local Education System Improvement Grants - School to Work	G2-S4-99	84.276			301	
	G2-S8-00		3,000		1,975	
Total System Improvement Grants - School to Work			3,000		2,276	
Eisenhower Professional Development State Grants (ESEA Title I)	MS-S1-98	84.281			6,664	
	MS-S1-99				6,166	
	MS-S1-00		10,769		4,174	
Total ESEA Title II			10,769		17,004	
Innovative Educational Program Strategies		84.298			4,013	
	C2-S1-99		1,485		1,561	
	C2-S1-00		12,728		2,380	
Total Innovative Educational Program Strategies			14,213		7,954	
Technology Center Grant	TF-32-00	84.318	225,000		350,621	
Title VI-R Class Reduction	CR-S1-00	84.340	51,832		51,832	
Total Department of Education			1,116,262		1,030,185	
<u>U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES</u>						
<i>Passed through Ohio Department of Mental Retardation:</i>						
Medical Assistance Program	FY98	93.778	32,353		32,353	
Total U.S. Department of Health & Human Services			32,353		32,353	

(continued)

URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED June 30, 2000
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$33,849		\$36,741
National School Breakfast Program	05-PU-99	10.553	13,712		13,712	
	05-PU-00		28,987		28,987	
Total National School Breakfast Program			42,699		42,699	
National School Lunch Program	03-PU-99	10.555	15,416		15,416	
	03-PU-00		34,838		34,838	
	04-PU-99		42,504		42,504	
	04-PU-00		100,563		100,563	
Total National School Lunch Program			193,321		193,321	
Total U.S. Department of Agriculture - Nutrition Cluster			236,020	33,849	236,020	36,741
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed Through Ohio Department of Education:</i>						
School to Work Program	WK-BE-99	17.249			9,358	
Total U.S. Department of Labor					9,358	
Total Federal Assistance			\$1,384,635	\$33,849	\$1,307,916	\$36,741

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

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2000**

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: NUTRITION CLUSTER

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, 2000, the District had no significant food commodities in inventory.



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

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

We have audited the financial statements of Urbana City School District, Champaign County (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 24, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 24, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 24, 2001.

Urbana City School District
Champaign County
Report on 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 audit committee, 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

January 24, 2001



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

Urbana City School District
Champaign County
711 Wood Street
Urbana, Ohio 43078

To the Board of Education:

Compliance

We have audited the compliance of Urbana 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 is applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is 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 its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 its major federal program 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.

**Internal Control Over Compliance
(Continued)**

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.

This report is intended for the information and use of the audit committee, 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

January 24, 2001

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(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)(iv)	Were there any other reportable 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Center Grant (CFDA #84.318)
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**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

**URBANA CITY SCHOOL DISTRICT
CHAMPAIGN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
1999-10311-001	Ohio Rev. Code Section 5705.41(B) - Expenditures plus encumbrances exceeded appropriations.	No	Materially corrected, however immaterial instances of noncompliance were noted at 5/31/00.



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URBANA CITY SCHOOL DISTRICT

CHAMPAIGN 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
MARCH 1, 2001**