



**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

Oregon City School District
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2699

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Oregon City School District, Lucas County, (the School District) as of and for the year ended June 30, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School 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 Oregon City School District, Lucas County, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2000 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the School 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

March 29, 2000

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**ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 1999**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
ASSETS AND OTHER DEBITS:			
Assets:			
Cash, Cash Equivalents and Investments	\$2,134,884	\$445,580	\$700,981
Receivables: (net of allowances of uncollectibles):			
Taxes - Current	17,964,450		556,679
Taxes - Delinquent	5,618,341		224,976
Accounts	17,254	2,232	
Accrued Interest			
Due from Other Governments	127,594	23,517	
Due from Other Funds	38,044		
Interfund Receivable	30,675		
Prepayments	40,186		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	488,947		
Fixed Assets (Net of Accumulated Depreciation, Where Applicable)			
Other Debits:			
Amount to be Provided for Retirement of General Long-Term Obligations			
Total Assets and Other Debits	<u>\$26,460,375</u>	<u>\$471,329</u>	<u>\$1,482,636</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts Payable	\$140,666	\$15,902	\$7,010
Accrued Wages and Benefits	2,452,548	32,301	
Compensated Absences Payable	36,563		
Pension Obligation Payable	394,595		
Due to Other Governments	7,779		330
Due to Other Funds		36,899	
Due to Others			
Interfund Payable		30,675	
Deferred Revenue	22,995,895		757,382
Due to Students			
Tax Anticipation Notes Payable			550,000
General Obligation Notes Payable			
Total Liabilities	<u>26,028,046</u>	<u>115,777</u>	<u>1,314,722</u>
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Endowments			
Reserved for Encumbrances	299,616	71,226	383,130
Reserved for Prepayments	40,186		
Reserved for Tax Revenue Unavailable for Appropriation	419,482		14,467
Reserved for Budget Stabilization	488,947		
Unreserved:			
Undesignated	(815,902)	284,326	(229,683)
Total Fund Equity and Other Credits	<u>432,329</u>	<u>355,552</u>	<u>167,914</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$26,460,375</u>	<u>\$471,329</u>	<u>\$1,482,636</u>

See accompanying notes to the general-purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$78,937	\$5,544	\$487,202			\$3,853,128
					18,521,129
162					5,843,317
		1,610			19,648
35,083					1,610
					186,194
					38,044
					30,675
46,073					40,186
					46,073
					488,947
39,423			\$19,300,260		19,339,683
				\$3,017,051	3,017,051
\$199,678	\$5,544	\$488,812	\$19,300,260	\$3,017,051	\$51,425,685
\$774		\$20,474			\$184,826
13,314	\$27				2,498,190
22,145				\$1,325,677	1,384,385
26,991				151,374	572,960
					8,109
	1,145				38,044
		6,658			6,658
					30,675
36,966					23,790,243
		143,791			143,791
					550,000
				1,540,000	1,540,000
100,190	1,172	170,923	\$0	3,017,051	30,747,881
			19,300,260		19,300,260
99,488	4,372				103,860
		254,981			254,981
		99			754,071
					40,186
					433,949
					488,947
		62,809			(698,450)
99,488	4,372	317,889	19,300,260		20,677,804
\$199,678	\$5,544	\$488,812	\$19,300,260	\$3,017,051	\$51,425,685

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From Local Sources:		
Taxes	\$17,931,316	
Tuition and Fees	518,964	\$63,428
Earning on Investments	329,731	8,191
Intergovernmental	7,407,319	1,123,124
Payment in Lieu of Taxes	491,263	
Extracurricular Activities	2,903	134,814
Classroom Material and Supplies	63,138	
Miscellaneous	38,529	
Total Revenues	<u>26,783,163</u>	<u>1,329,557</u>
Expenditures:		
Instruction:		
Regular	10,194,950	56,715
Special	2,029,882	371,986
Vocational	2,613,184	19,891
Adult Continuing Education	107,961	124,446
Other	725,769	
Support Services:		
Pupils	940,172	100,214
Instructional Staff	1,321,299	105,840
Board of Education	29,028	
School Administration	1,557,666	106,283
Fiscal	511,077	
Business	199,475	
Operation and Maintenance	3,212,989	
Pupil Transportation	1,294,111	8,237
Central		12,380
Community Services		158,402
Extracurricular Activities	378,634	125,559
Facilities Acquisition		
Operation of Non-Instructional Services		
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges	55,125	
Total Expenditures	<u>25,171,322</u>	<u>1,189,953</u>
Excess of Revenues Over (Under) Expenditures	<u>1,611,841</u>	<u>139,604</u>
Other Financing Uses:		
Refund of Prior Years Expenditures	24,430	
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	1,636,271	139,604
Fund Balance, July 1, 1998	<u>(1,203,942)</u>	<u>215,948</u>
Fund Balance, June 30, 1999	<u><u>\$432,329</u></u>	<u><u>\$355,552</u></u>

See accompanying notes to the general-purpose financial statements.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$370,158	\$583,395		\$18,884,869
	58,472	\$8,987	582,392
	142,010		405,381
	13,788		8,672,453
			505,051
			137,717
			63,138
		22,197	60,726
<u>370,158</u>	<u>797,665</u>	<u>31,184</u>	<u>29,311,727</u>
	112,289	8,950	10,372,904
			2,401,868
			2,633,075
			232,407
			725,769
			1,040,386
			1,427,139
			29,028
	7,816		1,663,949
			518,893
	30,823		199,475
	144,033		3,243,812
		5,709	1,446,381
			18,089
			158,402
	1,040,392		504,193
		8,284	1,040,392
			8,284
275,000			275,000
95,158	29,528		179,811
<u>370,158</u>	<u>1,364,881</u>	<u>22,943</u>	<u>28,119,257</u>
<u>0</u>	<u>(567,216)</u>	<u>8,241</u>	<u>1,192,470</u>
			24,430
	(567,216)	8,241	1,216,900
	735,130	54,667	(198,197)
<u>\$0</u>	<u>\$167,914</u>	<u>\$62,908</u>	<u>\$1,018,703</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$15,348,435	\$16,052,018	\$703,583			
Tuition	402,250	391,800	(10,450)			
Earnings on Investments	208,300	328,859	120,559			
Intergovernmental	6,015,100	7,407,319	1,392,219			
Payment in Lieu of Taxes	491,263	491,263				
Extracurricular Activities	2,000	2,903	903			
Classroom Materials and Supplies	75,000	63,138	(11,862)			
Miscellaneous	31,100	38,838	7,738			
Total Revenues	22,573,448	24,776,138	2,202,690	\$1,347,193	\$1,362,112	\$14,919
Expenditures:						
Current:						
Instruction:						
Regular	10,307,605	10,130,130	177,475			
Special	2,155,535	2,006,123	149,412			
Vocational	2,559,061	2,620,115	(61,054)			
Adult/Continuing Education	84,280	104,541	(20,261)			
Other	1,000,000	813,051	186,949			
Support Services:						
Pupils	1,055,058	947,307	107,751			
Instructional Staff	1,293,258	1,251,661	41,597			
Board of Education	30,758	29,222	1,536			
Administration	1,524,286	1,491,625	32,661			
Fiscal	515,794	495,940	19,854			
Business	175,780	185,813	(10,033)			
Operation and Maintenance	3,518,097	3,314,151	203,946			
Pupil Transportation	1,300,693	1,353,772	(53,079)			
Central	900		900			
Community Services						
Extracurricular Activities	400,234	367,525	32,709			
Facilities Acquisition and Construction						
Operation of Non-Instructional Services						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	25,921,339	25,110,976	810,363	1,603,084	1,466,198	136,886
Excess Revenues Over (Under)						
Expenditures	(3,347,891)	(334,838)	3,013,053	(255,891)	(104,086)	151,805
Other Financing Sources and (Uses):						
Proceeds of Sale of Fixed Assets	500		(500)			
Advances In	153,332	153,332				
Advances (Out)		(38,044)	(38,044)			
Operating Transfers In						
Operating Transfers Out						
Refund of Prior Year Receipts	(200)		200			
Refund of prior years receipt/expenditures	2,343	8,657	6,314			
Total Other Financing Sources (Uses)	155,975	123,945	(32,030)	0	0	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(3,191,916)	(210,893)	2,981,023	(255,891)	(104,086)	151,805
Fund Balances, July 1, 1998	2,372,092	2,372,092		399,923	399,923	
Prior years encumbrances appropriated	104,843	104,843		68,998	68,998	
Fund Balances, June 30, 1999	(\$714,981)	\$2,266,042	\$2,981,023	\$213,030	\$364,835	\$151,805

See accompanying notes to the general-purpose financial statements

Debt Service Funds			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$253,472	\$276,354	\$22,882			
			27,500	58,472	30,972			
			29,000	142,010	113,010			
			13,788	13,788				
\$2,479,078	\$2,479,811	\$733	323,760	490,624	166,864	\$36,360	\$31,185	(\$5,175)
			34,541	114,629	(80,088)			
			7,500	7,486	14			
			40,000	37,948	2,052			
			144,033	293,235	(149,202)			
			2,073,467	1,725,958	347,509			
2,479,078	2,479,811	(733)	2,299,541	2,179,256	120,285	114,212	45,463	68,749
			(1,975,781)	(1,688,632)	287,149	(77,852)	(14,278)	63,574
			(1,975,781)	(1,688,632)	287,149	(77,852)	(14,278)	63,574
			1,900,911	1,900,911		77,878	77,878	
			99,171	99,171		2,218	2,218	
\$0	\$0	\$0	\$24,301	\$311,450	\$287,149	\$2,244	\$65,818	\$63,574

**COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS/ FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:				
Charges for Services	\$704,574			\$704,574
Earnings on Investments			\$13,765	13,765
Donations/ Fees		\$23,524	30,151	53,675
Total Operating Revenues	704,574	23,524	43,916	772,014
Operating Expenses:				
Personal Services	497,784	3,239		501,023
Contract Services	1,082	30,406		31,488
Materials and Supplies	445,315	787		446,102
Depreciation	4,469			4,469
Scholarships			8,600	8,600
Total Operating Expenses	948,650	34,432	8,600	991,682
Operating Income (Loss)	(244,076)	(10,908)	35,316	(219,668)
Nonoperating Revenues (Expenses):				
Operating Grants	212,760	5,000		217,760
Federal Donated Commodities	23,358			23,358
Other Revenues	5,807	3,000		8,807
Total Nonoperating Revenues (Expenses)	241,925	8,000		249,925
Net Income/ (Loss)	(2,151)	(2,908)	35,316	30,257
Retained Earnings/ Fund Balance at July 1, 1998	101,639	7,280	219,665	328,584
Retained Earnings/ Fund Balance at June 30, 1999	\$99,488	\$4,372	\$254,981	\$358,841

See accompanying notes to the general-purpose financial statements.

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash Flows from Operating Activities:				
Cash Received from Charges for Services	\$680,039			\$680,039
Cash Received from Extra Curricular Activities		\$23,524		23,524
Cash Received from Other Income			\$42,306	42,306
Cash Payments for Personal Services	(471,461)	(3,212)		(474,673)
Cash Payments from Contract Services	(1,082)	(30,406)		(31,488)
Cash Payments for Supplies and Materials	(381,388)	(787)		(382,175)
Cash Payments for Other Expenses			(9,390)	(9,390)
Net Cash Provided (Used) in Operating Activities	(173,892)	(10,881)	32,916	(151,857)
Cash Flows from Noncapital Financing Activities:				
Cash Received from Federal/State Grants	177,677	5,000		182,677
Cash Received from Advances - In		1,145		1,145
Cash Received from Other Revenue	5,807	3,000		8,807
Cash Payments for Advances - Out		(740)		(740)
Net Cash Provided by Noncapital Financing Activities	183,484	8,405		191,889
Cash Flows from Capital and Related Financing Activities:				
Purchase of Fixed Assets	(17,751)			(17,751)
Net Increase (Decrease) in Cash and Cash Equivalents	(8,159)	(2,476)	32,916	22,281
Cash and Cash Equivalents at Beginning of Year	87,096	8,020	223,880	318,996
Cash and Cash Equivalents at End of Year	\$78,937	\$5,544	\$256,796	\$341,277
Reconciliation of Operating Income (Loss) to Net Cash Used in Operating Activities				
Operating Income (Loss)	(\$244,076)	(\$10,908)	\$35,316	(\$219,668)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used in Operating Activities:				
Depreciation	4,469			4,469
Donated Commodities	23,358			23,358
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(162)			(162)
(Increase) in Accrued Interest			(1,610)	(1,610)
Decrease in Supplies Inventory	6,398			6,398
(Decrease) in Accounts Payable	(807)		(790)	(1,597)
Increase in Salaries and Benefits Payable	41,817	27		41,844
(Decrease) in Due to Other Governments	(17,482)			(17,482)
Increase in Deferred Revenue	12,593			12,593
Net Cash Provided (Used) by Operating Activities	(\$173,892)	(\$10,881)	\$32,916	(\$151,857)
			\$487,202	
			(230,406)	
			\$256,796	

See accompanying notes to the general-purpose financial statements.

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NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Oregon School District (the District) is located in Lucas County including all of the City of Oregon, Ohio, and portions of surrounding townships.

The District is organized under Sections 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws, there is no authority for a school district to have a charter or adopt local laws. The legislative power of the District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District currently operates 4 elementary schools, 2 middle school, and 1 comprehensive high school. The District employs 152 non-certified, 290 (including administrative) full-time and part-time employees to provide services to approximately 3,837 students in grades K through 12 and various community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

The District's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement 14, *The Financial Reporting Entity*, effective for financial statements for periods beginning after December 15, 1992. 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.

The City of Oregon

The City is a separate politic and corporate body. City officials are elected independent of any relationship with the District and administer the provisions of traditional City services. The City Council acts as the taxing and budgetary authority for the services provided in the City.

Non-Public School

Within the District's boundaries, a non-public school is operated by a religious organization. Current state legislation provides funding to these schools. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting for these school operations is reflected as part of the District's Special Revenue Funds.

Northwest Ohio Computer Association (NWOCA)

The Educational Service Center is a participant in the Northwest Ohio Computer Association (NWOCA) which is a jointly governed computer consortium. NWOCA serves forty public education entities and over fifty non-public education entities in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. NWOCA is owned and operated by the Northern Buckeye Education Council (NBEC). NWOCA and NBEC provide data processing services, student services and educational technology services to the member school districts.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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.

1. Governmental Funds

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.

Special Revenue Funds - 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 Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

2. Proprietary Funds

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 are the District's Proprietary Fund Types.

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are 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.

Internal Service Funds - Internal Service Funds are used to account for financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

3. Fiduciary Funds

Trust and Agency - 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 governmental units 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.

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 Funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental funds and Expendable Trust funds are accounted for using a 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 Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets. The modified accrual basis of accounting is followed for Governmental, Agency, 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, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees). Current property taxes measurable as of June 30, 1999, and which are intended to finance fiscal 1999 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, 1999, 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)

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 incurrence 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 exceptions: general long-term obligation principal and interest are reported only when due; and the 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.

The Proprietary and Nonexpendable Trust Funds 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.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 1999 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The 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 Lucas 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 1999.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, for the General and Capital Projects Funds, and at the fund level for all other funds, 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

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

5. Any revisions that alter the total of any fund appropriation (for all funds) or alter total function appropriations or object appropriations within functions (for the General and Capital Project funds) must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency funds, consistent with statutory provisions.
7. 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. There were no supplemental appropriations enacted during fiscal year 1999.
8. 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 for the General and Capital Projects funds, and at the fund level for all other funds.

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.

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" (both unrestricted and restricted) on the combined balance sheet. During 1999, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 1999. 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, 1999.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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 year 1999 totaled \$329,731.

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 cost (first-in/first-out method) and are determined by physical count. Inventories in the Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed. Donated commodities which are still on hand at year-end are recorded as deferred revenue.

G. Prepaids

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

H. 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 \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset 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. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of five to twenty years.

I. 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 are recognized as

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows.

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Career Development Grant

Title I

Title VI

Title VI B

Drug-Free Schools

Reimbursable Grants

General Fund

School Bus Purchases

Driver Education

Special Revenue Funds

Vocational Education Equipment Fund

Capital Project Funds

School Net

Proprietary

National School Lunch Program

National School Breakfast Program

Government Donated Commodities

J. Advances to Other Funds

Non-current portions of long-term interfund loan receivables are reported as advances and are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources which are available for appropriation.

K. Payment in Lieu of Taxes

The District receives payments from BP Oil Company in lieu of taxes that would be due the District per an Enterprise zone agreement that allows tax abatement to BP Oil Company. This abatement stipulates that BP Oil Company will pay the School District an amount of money that would be equal to the taxes the District would have received.

L. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *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, the District records a liability for accumulated unused sick leave for both the classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems.

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 sick leave 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. In Proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a Governmental fund when due, or when resources have been accumulated in the Debt Service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a Governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligations Account Group.

Long-term liabilities expected to be financed from Proprietary fund obligations are accounted for in those funds.

N. 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, prepaids, budget stabilization, endowments, and tax revenue unavailable for appropriation. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

O. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board issued statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. The District has presented a statement of cash flows for its Enterprise 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).

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

P. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB 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 financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

S. Memorandum Only - Total Columns

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

NOTE 3 - COMPLIANCE

The following accounts in the General Fund had expenditures in excess of appropriations for the fiscal year ended June 30, 1999:

<u>Fund Type</u> <u>Fund/Function/Object</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General</u>			
Instruction/ Vocational	\$2,559,061	\$2,620,115	\$61,054
Instruction/ Adult Continuing Education	84,280	104,541	20,261
Support Services/ Business	175,780	185,813	10,033
Support Services/ Pupil Transportation	1,300,693	1,353,772	53,079
<u>Capital Project Funds</u>			
School Net Fund- Regular Instruction	34,541	114,629	80,088
P.I. Fund- Pupil Transportation	144,033	293,235	149,202

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 1999:

<u>Special Revenue Funds</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Venture Capital Grant Fund	\$11,803	\$36,081	\$24,278
Auxiliary Services Fund	175,075	196,373	21,298
Data Communication Fund	10,559	20,954	10,395
Adult Basic Education Fund	50,161	56,862	6,701
Vocational Education Basic Grants to States Fund	31,319	70,704	39,385
Title 1- Grants to Local Educational Agencies Fund	425,513	511,943	86,430

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

Inactive deposits are public deposits the District 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 as savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are 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 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, 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 moneys deposited with the institution.

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

1. United States Treasury Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or other obligations of 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;

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

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) and (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's Investment Pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits

At year end, the carrying amount of the District's deposits (including Petty Cash) was (\$592,028) and the bank balance was \$91,554 (both amounts include \$18,536 in non-negotiable certificates of deposit). Of the bank balance:

\$91,554 was covered by federal depository insurance.

Investments

The District's Investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	Category of Risk			Fair Value
	1	2	3	
Repurchase Agreements			\$417,024	\$ 417,024
Not Subject to Categorization:				
Investment in State				
Treasurer's Investment Pool	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$4,517,079</u>
Total Investments	<u>N/A</u>	<u>N/A</u>	<u>\$417,024</u>	<u>\$4,934,103</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.

A reconciliation between the classifications of cash and cash equivalents and investments per GASB Statement No. 9 on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$ 4,342,075	
Repurchase Agreements	(417,024)	\$ 417,024
Investments of the Cash Management Pool:		
State Treasurer's Investment Pool	(4,517,079)	<u>4,517,079</u>
GASB Statement No. 3	\$ <u>(592,028)</u>	\$ <u>4,934,103</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The District had the following long-term advances outstanding at June 30, 1999:

	Due From Other Funds	Due to Other Funds
General Fund	\$ 38,044	
<u>Special Revenue Funds</u>		
Venture Capital Grant Fund		\$ (282)
Adult Basic Education Fund		(5,526)
Title I		(26,742)
Drug Free Schools		(4,349)
<u>Internal Service Funds</u>		
Internal Services Rotary Fund		(1,145)
Totals	\$ <u>38,044</u>	\$ <u>(38,044)</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$30,675	
<u>Special Revenue Funds</u>		
Vocational Education Grant Fund		\$(30,675)
Totals	<u>\$30,675</u>	<u>\$(30,675)</u>

NOTE 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 November 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 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 assessed value upon which the 1998 taxes were collected was \$514,650,232. Agricultural/Residential and public utility real estate represented 46.10% or \$237,230,180 of this total; Commercial & Industrial real estate represented 14.44% or \$74,322,470; public utility 18.64% or \$95,961,360 and general tangible property 20.82% or \$107,136,222. The voted general tax rate for operations at the fiscal year ended June 30, 1999 was \$41.20 per \$1,000.00 of assessed valuation.

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

The Lucas County Treasurer collects property tax 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, 1999. 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.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 7 - RECEIVABLES

Receivables at June 30, 1999 consisted of taxes, accounts (tuition and student fees), and intergovernmental grants and entitlements (to the extent such grants and/or entitlements relate to the current fiscal year) and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs.

<u>General Fund</u>	
Taxes - Current	\$17,964,450
Taxes - Delinquent	5,618,341
Accounts	17,254
<u>Special Revenue Funds</u>	
Adult Education Fund	2,233
<u>Capital Projects Funds</u>	
Taxes- Current	556,679
Taxes- Delinquent	224,976
<u>Enterprise Fund</u>	
Food Service Fund	162
<u>Nonexpendable Trust Fund</u>	
Accrued Interest	1610

NOTE 8 - FIXED ASSETS

The following changes occurred in the General Fixed Asset Account Group during the fiscal year:

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 1999</u>
Land/				
Improvements	\$ 45,669	\$ -	\$ -	\$ 45,669
Buildings	11,802,451	1,491,239	-	13,293,690
Furniture/				
Equipment	3,490,232	272,253	-	3,762,485
Vehicles	<u>2,004,386</u>	<u>194,030</u>	<u> </u>	<u>2,198,416</u>
Total	<u>\$17,342,738</u>	<u>\$ 1,957,522</u>	<u>\$ -</u>	<u>\$19,300,260</u>

A summary of the Proprietary fixed assets at June 30, 1999 follows:

Furniture and Equipment	\$ 138,385
Less: Accumulated Depreciation	<u>(98,962)</u>
Net Fixed Assets	<u>\$ 39,423</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9 - SHORT-TERM DEBT

The Short Term Tax Anticipation Notes are a general obligation of the District for which the full faith, credit, and resources of the District are pledged and are payable from taxes levied on all taxable property of the District. The Notes are a direct liability of the Capital Projects fund type. The amount to repay the notes is \$605,000, including interest.

The following is a description of the District's short-term notes outstanding as of June 30, 1999:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/98</u>	<u>Additions 1999</u>	<u>Retirements 1999</u>	<u>Balance 06/30/99</u>
General Fund							
Tax Anticipation Note	4.05%	03/19/98	03/19/99	\$1,750,000	\$ -0-	\$1,750,000	\$ -0-
Capital Project Funds							
Tax Anticipation Note	5.00%	06/01/98	12/01/99	275,000	-0-	-0-	275,000
Tax Anticipation Note	4.50%	07/01/95	07/01/98	275,000	-0-	275,000	-0-
Tax Anticipation Note	5.00%	06/01/98	12/01/00	<u>275,000</u>	<u>-0-</u>	<u>-0-</u>	<u>275,000</u>
Totals				<u>\$2,575,000</u>	<u>\$ -0-</u>	<u>\$2,025,000</u>	<u>\$550,000</u>

NOTE 10 - LONG-TERM DEBT

All Energy Conservation notes and Tax Anticipation Notes are general obligations of the District for which the full faith, credit, and resources of the District are pledged and are payable from taxes levied on all taxable property of the District.

The following is a description of the District's long-term notes outstanding as of June 30, 1999:

	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/98</u>	<u>Additions 1999</u>	<u>Retirements 1999</u>	<u>Balance 06/30/99</u>
General Long - Term Obligations							
Account Group:							
Energy Conservation Note	4.95%	06/23/98	06/23/08	995,000	-0-	80,000	915,000
Energy Conservation Note	5.50%	07/30/91	07/30/01	470,000	-0-	150,000	320,000
Energy Conservation Note	5.90%	09/01/94	09/01/05	<u>350,000</u>	<u>-0-</u>	<u>45,000</u>	<u>305,000</u>
Total Outstanding Long-Term Debt				<u>\$2,090,000</u>	<u>\$-0-</u>	<u>\$275,000</u>	<u>\$1,540,000</u>

A. The following is a summary of the District's future annual debt service requirements to maturity for Long-Term Debt, including interest of \$324,328:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

Year Ending <u>June 30</u>	Energy Conservation <u>Notes</u>
2000	\$ 364,560
2001	364,173
2002	187,840
2003	185,435
2004	187,635
2005-2008	<u>574,685</u>
Total	<u>\$1,864,328</u>

B. During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups. Compensated absences will be paid from the fund from which the employee is paid.

	Balance <u>July 1, 1998</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 1999</u>
Compensated Absences	\$ 1,256,438	\$ 69,239		\$ 1,325,677
Pension Obligation		151,374		151,374
Due to Other Governments	411,442		(411,442)	
General Obligation Debt	<u>1,815,000</u>	_____	<u>(275,000)</u>	<u>1,540,000</u>
Total	<u>\$ 3,482,880</u>	<u>\$ 220,613</u>	<u>\$ (686,442)</u>	<u>\$ 3,017,051</u>

NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. 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, 1999.

	Food <u>Services</u>	Uniform School <u>Supplies</u>	<u>Total</u>
Operating Revenue	\$704,531	\$ 43	\$704,574
Depreciation	4,469		4,469
Operating Income (Loss)	(244,119)	43	(244,076)
Operating Grants	212,760		212,760
Net Income (Loss)	(2,194)	43	(2,151)
Net Working Capital	82,130	80	82,210
Total Assets	199,598	80	199,678
Long-Term Liabilities Payable from Fund Reserves	22,145		22,145
Total Liabilities	100,190		100,190
Retained Earnings	99,408	80	99,488

NOTE 12 - RISK MANAGEMENT

The District does not have a "self-insurance" fund with formalized risk management programs. The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

employees and natural disasters. During fiscal year 1999, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage.

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

Plan members are required to contribute nine percent (9%) of their annual covered salary and the District is required to contribute fourteen percent (14%) for 1999; 9.79% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$499,771, \$485,286, and \$481,350, respectively; fifty nine percent (59%) has been contributed for fiscal year 1999 and one hundred percent (100%) for the fiscal years 1998 and 1997. \$227,061, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered 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 nine and three tenths percent (9.3%) of their annual covered salary and the District is required to contribute fourteen percent (14%); twelve percent (12%) 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 ten percent (10%) for members and fourteen percent (14%) for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,774,997, \$1,754,702, and \$1,714,080, respectively; eighty-three percent (83%) has been contributed for fiscal year 1999 and one hundred percent (100%) for fiscal years 1998 and 1997. \$318,908, which represents the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, members of the Board of Education have elected Social Security. The District's liability is six and two tenths percent (6.2%) of wages paid.

NOTE 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 are required to pay a portion of 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 fourteen percent (14%) of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent (2%) of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to three and one-half percent (3.5%).

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$1,860 million at June 30, 1997. As of July 1, 1997, eligible benefit recipients totaled 88,718. For the fiscal year ended June 30, 1997, net health care costs paid by STRS were \$192,077,000. (These amounts represent the most current figures available).

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

For this fiscal year, employer contributions to fund health care benefits were 4.21 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to fourteen percent (14%) of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the fourteen percent (14%) 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 one hundred twenty five percent (125%) of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$177,768 during the 1999 fiscal year.

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual - All Governmental Fund Types and Expendable Trust Fund 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:

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

	Governmental Fund Types				
	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds	Expendable Trust Fund
Budget Basis	\$ (210,893)	\$ (104,086)	\$ 0	\$ (1,688,632)	\$ (14,278)
Net Adjustment for Revenue Accruals	1,869,466	(32,555)	370,158	307,041	0
Net Adjustment for Expenditure Accruals	(379,219)	195,501	(370,158)	424,845	22,227
Adjustment for Encumbrances	<u>356,917</u>	<u>80,744</u>	<u>0</u>	<u>389,530</u>	<u>292</u>
GAAP Basis	\$ <u>1,636,271</u>	\$ <u>139,604</u>	\$ <u>0</u>	\$ <u>(567,216)</u>	\$ <u>8,241</u>

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 16 - CONTINGENT LIABILITIES

A. Grants

The District receives financial assistance from 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, 1999.

B. 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 the District. During the fiscal year ended June 30, 1999, the District received \$5,949,604 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of March 29, 2000, The Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the 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.

C. Litigation

As of the balance sheet date, the District is a defendant in various litigation. Although the outcome of this litigation is presently not determinable, in the opinion of the District's management the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 17 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amount, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash basis) was as follows:

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Balance 7/1/98			\$201,560	\$ 201,560
Required Set-Aside	\$488,947	\$733,421	287,387	1,509,755
Offset Credits		(13,788)		(13,788)
Qualifying Expenditures	<u>(488,947)</u>	<u>(1,492,142)</u>	_____	<u>(1,981,089)</u>
Total 6/30/99	<u>\$0</u>	<u>\$(772,509)</u>	<u>\$488,947</u>	<u>\$(283,562)</u>
Cash balance carried forward to fiscal year 2000	<u>\$0</u>	<u>\$0</u>	<u>\$488,947</u>	<u>\$488,947</u>

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 1999**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disburse- ments	Noncash Disburse- ments
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	-	10.550	\$0	\$115,300	\$0	\$102,843
Child Nutrition Cluster:						
School Breakfast Program	-	10.553	4,572		4,572	
National School Lunch Program	-	10.555	165,151		165,151	
Total Child Nutrition Cluster			<u>169,723</u>	<u>0</u>	<u>169,723</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>169,723</u>	<u>115,300</u>	<u>169,723</u>	<u>102,843</u>
UNITED STATES DEPARTMENT OF LABOR						
<i>Passed through Ohio Department of Education:</i>						
Employment Services and Job Training Pilot and Demonstration Program	WK-BE-98	17.249	<u>2,525</u>		<u>29,825</u>	
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title 1- Grants to Local Educational Agencies	C1-S1-98 C1-S1-98C C1-S1-99	84.010	184,341 16,883 <u>219,810</u>		184,341 16,883 <u>219,810</u>	
Total Title 1			<u>421,034</u>		<u>421,034</u>	
Title VI-B - Special Education Grants to States for Education of Handicapped Children	6B-SF-98 6B-SF-99	84.027	107,100 <u>126,421</u>		107,100 <u>87,256</u>	
Total Title VI-B			<u>233,521</u>		<u>194,356</u>	
Vocational Education- Basic Grants to States	20-C1-98 20-C1-99	84.048	5,893 <u>34,378</u>		24,955 <u>24,340</u>	
Total Vocational Education			<u>40,271</u>		<u>49,295</u>	
Safe and Drug Free Schools and Communities- State Grant	DR-S1-99	84.186	<u>5,905</u>		<u>10,254</u>	
Goals 2000- State and Local Education Systemic Improvement	G2-S4-98	84.276	<u>3,000</u>		<u>920</u>	
Innovative Education Program Strategies	C2-S1-99	84.298	<u>15,876</u>		<u>5,924</u>	
Adult Education State Grant Program	AB-S1-97 AB-S1-98 AB-S1-98C	84.002	16,790 22,443 <u>20,459</u>		16,790 21,592 <u>25,985</u>	
Total Adult Education			<u>59,692</u>		<u>64,367</u>	
Total U.S. Department of Education			<u>781,824</u>		<u>775,975</u>	
Total Federal Assistance			<u>\$951,547</u>	<u>\$115,300</u>	<u>\$945,698</u>	<u>\$102,843</u>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary 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, 1999, the District had \$36,966 in food commodities inventory.



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

Oregon City School District
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2699

To the Board of Education:

We have audited the financial statements of Oregon City School District, Lucas County, (the School District) as of and for the year ended June 30, 1999, and have issued our report thereon dated March 29, 2000. 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 School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 1999-10148-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 29, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School 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 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 School District in a separate letter dated March 29, 2000.

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

Jim Petro
Auditor of State

March 29, 2000



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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**

Oregon City School District
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2699

To the Board of Education:

Compliance

We have audited the compliance of Oregon City School District, Lucas County, (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School 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 School 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 School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

The management of the School 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 School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

Jim Petro
Auditor of State

March 29, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

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 noncompliance at the financial statement level (GAGAS)?	Yes
(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):	Title I - Grants to Local Educational Agencies CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 1999-10148-001

Noncompliance Citation

Ohio Revised Code § 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated. For the fiscal year ended June 30, 1999 expenditures exceeded appropriations as follows:

FINDING NUMBER 1999-10148-001
(Continued)

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Venture Capital Grant Fund	11,803	36,081	24,278
Auxiliary Services Fund	175,075	196,373	21,298
Data Communication Fund	10,559	20,954	10,395
Adult Basic Education Fund	50,161	56,862	6,701
Vocational Education Basic Grants to States Fund	31,319	70,704	39,385
Title 1- Grants to Local Educational Agencies Fund	425,513	511,943	86,430

We recommend that the School District adjust appropriations whenever necessary to keep expenditures from exceeding appropriations.

3. FINDINGS FOR FEDERAL AWARDS

None.



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OREGON CITY SCHOOL DISTRICT

LUCAS 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
MAY 2, 2000**