



**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Oregon City School District
Lucas County
5721 Seaman Road
Oregon, Ohio 43616-2269

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Oregon City School District, Lucas County, (the School 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 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, 2000, 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 December 21, 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. 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 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

December 21, 2000

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**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 2000**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
ASSETS AND OTHER DEBITS:			
Assets:			
Cash, Cash Equivalents and Investments	\$4,909,058	\$529,072	\$476,201
Receivables: (net of allowances of uncollectibles):			
Taxes - Current	19,038,653		607,903
Taxes - Delinquent	611,440		16,560
Accounts	5,935	669	
Accrued Interest			
Due from Other Governments	58,960		
Due from Other Funds	35,545		
Interfund Receivable	30,675		
Prepayments	41,124		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	653,392		
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	\$25,384,782	\$529,741	\$1,100,664

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$146,151	\$4,249	\$507,922			\$6,572,653
					19,646,556
					628,000
374		15,941			22,919
		1,804			1,804
					58,960
					35,545
					30,675
					41,124
30,052					30,052
					653,392
34,954			\$20,372,456		20,407,410
				\$2,534,223	2,534,223
\$211,531	\$4,249	\$525,667	\$20,372,456	\$2,534,223	\$50,663,313

(Continued)

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNTS GROUPS
JUNE 30, 2000
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS:			
Liabilities:			
Accounts Payable	\$77,461	\$15,662	\$58,402
Accrued Wages and Benefits	2,125,969	27,291	
Compensated Absences Payable			
Pension Obligation Payable	411,372		
Due to Other Governments	16,378		695
Due to Other Funds		34,023	
Interfund Payable		30,675	
Deferred Revenue	18,314,923		576,717
Due to Students			
Tax Anticipation Notes Payable			275,000
General Obligation Bonds Payable			
	20,946,103	107,651	910,814
Fund Equity and Other Credits:			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	75,390	80,278	58,343
Reserved for Prepayments	41,124		
Reserved for Endowments			
Reserved for Tax Revenue Unavailable for Appropriation	687,248		16,732
Reserved for Budget Stabilization	645,499		
Reserved for Capital Maintenance	7,893		
Unreserved:			
Undesignated	2,981,525	341,812	114,775
	4,438,679	422,090	189,850
Total Liabilities, Fund Equity and Other Credits	\$25,384,782	\$529,741	\$1,100,664

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$2,018		\$6,254			\$159,797
10,276	\$27				2,163,563
4,132				\$1,118,165	1,122,297
28,989				161,058	601,419
					17,073
	1,147	375			35,545
					30,675
21,323					18,912,963
		172,040			172,040
					275,000
				1,255,000	1,255,000
66,738	1,174	178,669		2,534,223	24,745,372
			\$20,372,456		20,372,456
144,793	3,075				147,868
		51			214,062
		262,744			41,124
					262,744
					703,980
					645,499
					7,893
		84,203			3,522,315
144,793	3,075	346,998	20,372,456		25,917,941
\$211,531	\$4,249	\$525,667	\$20,372,456	\$2,534,223	\$50,663,313

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
From Local Sources:		
Taxes	\$20,747,468	
Tuition and Fees	304,332	\$61,020
Earning on Investments	564,534	9,059
Intergovernmental	8,146,728	1,049,784
Payment in Lieu of Taxes	609,944	
Extracurricular Activities	2,470	156,151
Classroom Material and Supplies	73,915	
Miscellaneous	60,563	
Total Revenues	<u>30,509,954</u>	<u>1,276,014</u>
Expenditures:		
Instruction:		
Regular	10,916,403	76,643
Special	2,023,915	263,710
Vocational	2,773,594	42,653
Adult Continuing Education	85,382	187,196
Other	964,659	
Support Services:		
Pupils	1,054,673	65,548
Instructional Staff	1,352,074	88,831
Board of Education	27,596	
School Administration	1,542,668	105,100
Fiscal	518,343	
Business	171,065	
Operation and Maintenance	2,899,950	
Pupil Transportation	1,473,258	
Central		10,615
Community Services		218,609
Extracurricular Activities	378,163	151,999
Facilities Acquisition	470	
Debt Service:		
Principal Retirement		
Interest and Fiscal Charges		
Total Expenditures	<u>26,182,213</u>	<u>1,210,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>4,327,741</u>	<u>65,110</u>
Other Financing Sources (Uses):		
Proceeds From Sale of Assets	2,332	
Operating Transfers In		1,430
Operating Transfers - Out	(365,670)	
Other Sources	41,946	
Total Other Financing Sources (Uses)	<u>(321,392)</u>	<u>1,430</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,006,349	66,540
Fund Balance, July 1, 1999	432,330	355,550
Fund Balance, June 30, 2000	<u>\$4,438,679</u>	<u>\$422,090</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$677,083		\$21,424,551
	37,479	\$19,585	365,352
	29,929		630,657
	17,054		9,226,441
			626,998
			158,621
			73,915
		33,725	94,288
	761,545	53,310	32,600,823
	2,292	26,651	11,021,989
			2,287,625
			2,816,247
			272,578
			964,659
			1,120,221
			1,440,905
			27,596
	8,845		1,647,768
			527,188
			171,065
	18,112		2,918,062
	298,109		1,771,367
		4,749	15,364
		568	219,177
			530,162
	371,003		371,473
\$285,000			285,000
79,240	41,250		120,490
364,240	739,611	31,968	28,528,936
(364,240)	21,934	21,342	4,071,887
364,240			2,332
			365,670
			(365,670)
			41,946
364,240			44,278
	21,934	21,342	4,116,165
	167,916	62,912	1,018,708
	\$189,850	\$84,254	\$5,134,873

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**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, 2000**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$19,625,595	\$19,999,194	\$373,599			
Tuition	352,000	367,736	15,736			
Earnings on Investments	338,400	514,982	176,582			
Intergovernmental	7,381,828	8,146,728	764,900			
Payment in Lieu of Taxes	609,944	609,944				
Extracurricular Activities	3,000	2,470	(530)			
Classroom Materials and Supplies	70,000	73,915	3,915			
Miscellaneous	25,250	60,149	34,899			
Total Revenues	28,406,017	29,775,118	1,369,101	\$1,590,236	\$1,336,547	(\$253,689)
Expenditures:						
Current:						
Instruction:						
Regular	10,697,393	11,103,520	(406,127)			
Special	2,124,269	2,061,666	62,603			
Vocational	2,690,916	2,768,148	(77,232)			
Adult/Continue Education	134,400	86,201	48,199			
Other	950,000	966,759	(16,759)			
Support Services:						
Pupils	1,122,424	1,060,979	61,445			
Instructional Staff	1,388,050	1,445,659	(57,609)			
Board of Education	31,980	26,776	5,204			
Administration	1,639,718	1,584,931	54,787			
Fiscal	535,937	528,156	7,781			
Business	198,916	187,967	10,949			
Operation and Maintenance	3,277,583	3,013,349	264,234			
Pupil Transportation	1,428,454	1,492,909	(64,455)			
Extracurricular Activities	390,792	377,525	13,267			
Facilities Acquisition and Construction						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	26,610,832	26,704,545	(93,713)	1,637,586	1,349,060	288,526
Excess Revenues Over (Under) Expenditures	1,795,185	3,070,573	1,275,388	(47,350)	(12,513)	34,837
Other Financing Sources and (Uses):						
Proceeds of Sale of Fixed Assets		2,332	2,332			
Advances In		38,044	38,044			
Advances (Out)		(35,545)	(35,545)			
Operating Transfers In						
Operating Transfers Out	(364,560)	(365,670)	(1,110)			
Refund of Prior Year Receipts	(200)	(136)	64			
Refund of prior years receipt/expenditures		59,045	59,045			
Total Other Financing Sources (Uses)	(364,760)	(301,930)	62,830			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses)	1,430,425	2,768,643	1,338,218	(47,350)	(12,513)	34,837
Fund Balances, July 1, 1999	2,266,042	2,266,042		364,835	364,835	
Prior years encumbrances appropriated	356,917	356,917		80,744	80,744	
Fund Balances, June 30, 2000	\$4,053,384	\$5,391,602	\$1,338,218	\$398,229	\$433,066	\$34,837

The notes to the general-purpose financial statements are an integral part of this statement.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
			\$585,975	\$653,611	\$67,636			
			27,000	37,479	10,479			
			26,460	29,929	3,469			
			17,054	17,054				
			656,489	738,073	81,584	\$98,742	\$45,201	(\$53,541)
				2,902	(2,902)			
			7,750	8,480	(730)			
			65,000	40,942	24,058			
			149,202	298,109	(148,907)			
			815,000	410,064	404,936			
\$285,000	\$285,000		275,000	275,000				
79,560	79,240	\$320	41,250	41,250				
364,560	364,240	320	1,353,202	1,076,747	276,455	98,742	35,227	63,515
(364,560)	(364,240)	320	(696,713)	(338,674)	358,039		9,974	9,974
364,560	364,240							
364,560	364,240							
			(696,713)	(338,674)	358,039		9,974	9,974
			311,452	311,452		65,817	65,817	
			389,530	389,530		292	292	
			\$4,269	\$362,308	\$358,039	\$66,109	\$76,083	\$9,974

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**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, 2000**

	<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	\$725,142			\$725,142
Earnings on Investments			\$15,526	15,526
Miscellaneous Revenue		\$19,131	50	19,181
Total Operating Revenues	<u>725,142</u>	<u>19,131</u>	<u>15,576</u>	<u>759,849</u>
Operating Expenses:				
Personal Services	505,607	3,048		508,655
Contract Services	1,467	19,475		20,942
Materials and Supplies	404,737	1,655		406,392
Depreciation	4,469			4,469
Other Operating Expenses			7,812	7,812
Total Operating Expenses	<u>916,280</u>	<u>24,178</u>	<u>7,812</u>	<u>948,270</u>
Operating Income/ (Loss)	<u>(191,138)</u>	<u>(5,047)</u>	<u>7,764</u>	<u>(188,421)</u>
Nonoperating Revenues (Expenses):				
Operating Grants	210,006			210,006
Federal Donated Commodities	12,903			12,903
Other Revenues	13,535	3,750		17,285
Total Nonoperating Revenues/ (Expenses)	<u>236,444</u>	<u>3,750</u>		<u>240,194</u>
Net Income/ (Loss)	45,306	(1,297)	7,764	51,773
Retained Earnings/Fund Balance at July 1, 1999	<u>99,487</u>	<u>4,372</u>	<u>254,980</u>	<u>358,839</u>
Retained Earnings/Fund Balance at June 30, 2000	<u><u>\$144,793</u></u>	<u><u>\$3,075</u></u>	<u><u>\$262,744</u></u>	<u><u>\$410,612</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Cash Flows from Operating Activities:				
Cash Received from Charges for Services	\$724,930			\$724,930
Cash Received from Extra Curricular Activities		\$19,131		19,131
Cash Received from Other Income			\$15,382	15,382
Cash Payments for Personal Services	(524,661)	(3,048)		(527,709)
Cash Payments from Contract Services	(1,467)	(19,475)		(20,942)
Cash Payments for Supplies and Materials	(390,212)	(1,655)		(391,867)
Cash Payments for Other Expenses			(11,238)	(11,238)
Net Cash Provided/ (Used) by Operating Activities	<u>(191,410)</u>	<u>(5,047)</u>	<u>4,144</u>	<u>(192,313)</u>
Cash Flows from Noncapital Financing Activities:				
Cash Received from Federal/State Grants	245,089			245,089
Cash Received from Transfers - In		1,147		1,147
Cash Received from Other Revenue	13,535	3,750		17,285
Cash Payments for Advances - Out		(1,145)		(1,145)
Net Cash Provided by Noncapital Financing Activities	<u>258,624</u>	<u>3,752</u>		<u>262,376</u>
Net Increase/ (Decrease) in Cash and Cash Equivalents	67,214	(1,295)	4,144	70,063
Cash and Cash Equivalents at Beginning of Year	78,937	5,544	256,797	341,278
Cash and Cash Equivalents at End of Year	<u>\$146,151</u>	<u>\$4,249</u>	<u>\$260,941</u>	<u>\$411,341</u>
Reconciliation of Operating Income/ (Loss) to Net Cash Used in Operating Activities:				
Operating Income/ (Loss)	(\$191,138)	(\$5,047)	\$7,764	(\$188,421)
Adjustments to Reconcile Operating Income/ (Loss) to Net Cash Used in Operating Activities:				
Depreciation	4,469			4,469
Donated Commodities	12,903			12,903
Changes in Assets and Liabilities:				
(Increase) in Accounts Receivable	(212)			(212)
(Increase) in Accrued Interest			(194)	(194)
Decrease in Supplies Inventory	16,020			16,020
Increase (Decrease) in Accounts Payable	1,244		(3,426)	(2,182)
(Decrease) in Salaries and Benefits Payable	(19,053)			(19,053)
(Decrease) in Deferred Revenue	(15,643)			(15,643)
Net Cash Provided/ (Used) by Operating Activities	<u>(\$191,410)</u>	<u>(\$5,047)</u>	<u>\$4,144</u>	<u>(\$192,313)</u>
Total Cash and Cash Equivalents per Balance Sheet - Trust and Agency Funds				\$507,922
Cash and Cash Equivalents - Expendable Trust Funds and Agency Funds				<u>(246,981)</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds as of June 30, 2000				<u>\$260,941</u>

The notes to the general-purpose financial statements are an integral part of this statement.

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**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

NOTE 1- DESCRIPTION OF THE SCHOOL DISTRICT

Oregon City 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 schools, and 1 comprehensive high school. The District employs 160 non-certified, 303 (including administrative) full-time and part-time employees to provide services to approximately 3,858 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.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
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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, Expendable Trust, and Agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, 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, 2000, and which are intended to finance fiscal 2000 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 § 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
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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 2000 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 2000.
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

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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 2000.
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 2000, 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 2000. 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.

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

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(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 2000 totaled \$564,534. Of this, \$129,042 was the amount allocated from other funds.

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. Inventory in the Proprietary Funds consists 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. Prepays

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 prepayments 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

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when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as 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. Payments 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.

K. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments 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 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

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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.

L. 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.

M. 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, prepayments, budget stabilization, capital maintenance, 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.

N. 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 Proprietary Fund Types 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).

O. 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

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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.

P. 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.

Q. Restricted Assets

Restricted assets in the General fund represent cash and cash equivalents set aside to establish budget stabilization and capital maintenance reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction.

R. Interfund Receivables/ Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "advances to/from other funds". Long-term interfund loans are classified as "interfund receivables" and "interfund payables" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2000 the balance of interfund assets/liabilities was zero.

S. Interfund Transactions

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

Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

T. 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 and Capital Project Funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2000:

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(Continued)**

Fund Type <u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General			
Instruction/Regular	\$10,697,393	\$11,103,520	\$406,127
Instruction/Vocational	2,690,916	2,768,148	77,232
Instruction/Other	950,000	966,759	16,759
Support Services/Instructional Staff	1,388,050	1,445,659	57,609
Support Services/Pupil Transportation	1,428,454	1,492,909	64,455
Capital Project Funds			
P.I. Fund/Pupil Transportation	149,202	298,109	148,907
P.I. Fund/Fiscal	7,750	8,480	730
School Net Fund/Regular Instruction		2,902	2,902

The following funds had expenditures in excess of appropriations for the fiscal year ended June 30, 2000:

Fund Type <u>Fund/Function/Object</u>	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Special Revenue Funds			
Auxiliary Services Fund	\$162,743	\$221,452	\$58,709
Adult Education- Long-Term Fund	106,424	113,244	6,820
Teacher Professional Development Fund	29,509	50,918	21,409
Ohio Reads Fund		13,735	13,735
School Reading Improvement- Jennings		4,085	4,085
Professional Development Fund	36,436	48,038	11,602
Title VI Fund	25,858	36,890	11,032

The failure to certify expenditures in accordance with Ohio Rev. Code § 5705.41(D) is more fully described in the Schedule of Findings attached.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

State statutes classify monies held by the School 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 School 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

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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;
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*.

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Deposits: At year end, the carrying amount of the District's deposits (including Petty Cash) was \$(899,311) and the bank balance was \$144,672 (both amounts include \$18,536 in non-negotiable certificates of deposit). Of the bank balance, \$144,672 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.

	Category 3	Fair Value
Repurchase Agreements	\$1,003,309	\$1,053,733
Not Subject to Categorization:		
Investment in State Treasurer's Investment Pool		7,071,623
Total Investments	\$1,003,309	\$8,125,356

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:

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$7,226,045	\$1,053,733
Repurchase Agreements	(1,053,733)	
Investments of the Cash Management Pool		
State Treasurer's Investment Pool	(7,071,623)	7,071,623
GASB Statement No. 3	(\$899,311)	\$8,125,356

NOTE 5 -INTERFUND TRANSACTIONS

A. The District had the following long-term advance outstanding at June 30, 2000:

	Due From Other Funds	Due to Other Funds
General Fund	\$35,545	
Special Revenue Funds:		
Auxiliary Services Fund		\$815
Career Development Fund		766
Adult Education Short Term Fund		2,259
Adult Basic Education Fund		16,582

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VEPD Special Needs Grant Fund		4,986
Title VI Fund		3,378
Drug Free Schools		5,237
Internal Service Funds:		
Internal Services Rotary Fund		1,147
Agency Funds:		
Student Activity Funds	_____	<u>375</u>
Totals	<u>\$35,545</u>	<u>\$35,545</u>

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$30,675	
Special Revenue Funds:		
Vocational Education Grant Fund	_____	<u>\$30,675</u>
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 at 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 1999 taxes were collected was \$502,298,621. Agricultural/Residential and public utility real estate represented 49.78% or \$250,044,990 of this total; Commercial & Industrial real estate represented 15.17% or \$76,189,130; public utility 16.96% or \$85,203,050 and general tangible property 18.09% or \$90,861,451. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$49.20 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.

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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.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 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). 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	\$19,038,653	
Taxes - Delinquent	611,440	
Accounts	5,935	
<u>Special Revenue Funds</u>		
Accounts	669	
<u>Capital Project Funds</u>		
Taxes - Current	607,903	
Taxes - Delinquent	16,560	
<u>Enterprise Funds</u>		
Accounts	374	
<u>Expendable Trust Funds</u>		
Accounts	8,110	
<u>Agency Funds</u>		
Accounts	7,831	

NOTE 8 - FIXED ASSETS

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

	Balance at 7/1/99	Adjustments/ Additions	Adjustments/ Reductions	Balance at 6/30/00
Land/Improvements	\$45,669	\$18,061		\$63,730
Buildings	13,293,690	431,842		13,725,532
Furniture/Equipment	3,762,485	225,074		3,987,559
Vehicles	2,198,416	397,219		2,595,635
Total	\$19,300,260	\$1,072,196		\$20,372,456

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

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

Furniture and Equipment	\$138,385
Less: Accumulated Depreciation	<u>103,431</u>
Net Fixed Assets	<u><u>\$34,954</u></u>

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 \$288,750, including interest.

The following is a description of the District's short-term notes outstanding as of June 30, 2000:

	Interest Rates	Issue Date	Maturity Date	Balance at 7/1/99	Additions Fiscal 2000	Retired in Fiscal 2000	Balance at 6/30/00
Tax Anticipation Note	5.00%	6/1/98	12/1/99	\$275,000		\$275,000	
Tax Anticipation Earnings	5.00%	6/1/98	12/1/00	275,000			\$275,000
Total Short-term Debt				<u>\$550,007</u>		<u>\$275,000</u>	<u>\$275,000</u>

NOTE 10 - LONG-TERM DEBT

All Energy Conservation Bonds 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 bonds outstanding as of June 30, 2000:

	Interest Rates	Issue Date	Maturity Date	Balance at 7/1/98	Additions FY 2000	Retirements FY 2000	Balance at 6/30/98
Energy Conservation Bonds	4.95%	6/23/98	6/23/08	\$915,000		\$85,000	\$830,000
Energy Conservation Bonds	5.50%	7/30/91	7/30/01	\$320,000		\$155,000	\$165,000
Energy Conservation Bonds	5.90%	9/1/94	9/1/05	\$305,000		\$45,000	\$260,000
Total Long-term Debt				<u>\$1,540,000</u>		<u>\$285,000</u>	<u>\$1,255,000</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 \$244,768:

Year Ending June 30	Energy Conservation Bonds
2001	364,173
2002	187,840
2003	185,435
2004	187,635
2005	189,292
2006-2008	385,393
Total	<u>\$1,499,768</u>

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

- B. During the year ended June 30, 2000, 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 at <u>7/1/99</u>	Increase	Decrease	Balance at <u>6/30/00</u>
Compensated Absences	\$1,325,677		\$207,512	\$1,118,165
Pension Obligation Payable	151,374	9,684		161,058
General Obligation Bonds	1,540,000		285,000	1,255,000
Total	<u>\$3,017,051</u>	<u>\$9,684</u>	<u>\$492,512</u>	<u>\$2,534,223</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, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenues	\$725,142		\$725,142
Depreciation	4,469		4,469
Operating Income (Loss)	(191,138)		(191,138)
Operating Grants	210,006		210,006
Net Income	45,306		45,306
Net Working Capital	113,971		113,971
Total Assets	211,451	\$80	211,531
Long-Term Liabilities:			
Payable from Fund Reserves	4,132		4,132
Total Liabilities	66,738		66,738
Retained Earnings	144,713	80	144,793

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 employees and natural disasters. During fiscal year 2000, 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

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

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 2000; 7.70% 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, 2000, 1999, and 1998 were \$541,657, \$499,771, and \$485,286, respectively; fifty percent (50%) has been contributed for fiscal year 2000 and one hundred percent (100%) for the fiscal years 1999 and 1998. \$270,576, which represents 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 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%); six percent (6.0%) 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, 2000, 1999, and 1998 were \$1,982,072, \$1,774,997, and \$1,754,702, respectively; eighty-three percent (83%) has been contributed for fiscal year 2000 and one hundred percent (100%) for fiscal years 1999 and 1998. \$330,844, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, all five (5) members of the Board of Education have elected Social Security. The Board'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'

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

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 stature. 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, 1999, this allocation was increased to eight percent (8.0%).

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000. (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 6.30 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 fifty percent (150%) of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled \$269,393 during the 2000 fiscal year.

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 Similar Fiduciary Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

- (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	Special Revenue	Capital Projects	Expendable Trust
Budget Basis	\$2,768,643	(\$12,513)	(\$338,674)	\$9,974
Net adjustment for revenue accruals	679,829	(59,103)	23,472	8,110
Net adjustment for expenditure accruals	437,453	42,150	223,243	3,198
Adjustment for encumbrances	120,424	96,006	113,893	60
GAAP Basis	<u>\$4,006,349</u>	<u>\$66,540</u>	<u>\$21,934</u>	<u>\$21,342</u>

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, 2000.

B. Litigation

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

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 the District. During the fiscal year ended June 30, 2000, the District received \$6,671,612 of school foundation support for its general fund.

**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

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

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

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, 2000, the reserve activity (cash basis) was as follows:

	<u>Textbooks</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Balance, July 1, 1999			\$488,947	\$488,947
Set-aside Adjustment			(87,922)	(87,922)
Adjusted Balance, July 1, 1999			401,025	401,025
Required Set-aside	\$733,421	\$733,421	244,474	1,711,316
Offset Credits		(354,414)		(354,414)
Qualifying Expenditures	(733,421)	(371,114)		(1,104,535)
Balance, June 30, 2000	<u><u> </u></u>	<u><u>\$7,893</u></u>	<u><u>\$645,499</u></u>	<u><u>\$653,392</u></u>

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**OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE PERIOD ENDED JUNE 30, 2000**

FEDERAL GRANTOR Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed through Ohio Department of Education:</i>		
Child Nutrition Cluster:		
Food Distribution Program	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total U.S. Department of Agriculture - Child Nutrition Cluster		
UNITED STATES DEPARTMENT OF HEALTH		
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
<i>Passed through Lucas County Department of Mental Retardation and Developmental Disabilities:</i>		
Community Alternative Funding Program	-	93.778
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed through Ohio Department of Education:</i>		
Title 1- Grants to Local Educational Agencies	C1-S1-99 C1-S1-00	84.010
Total Title 1		
Title VI-B - Special Education Grants to States for Education of Handicapped Children	6B-SF-99 6B-SF-00	84.027
Total Title VI-B		
Vocational Education- Basic Grants to States	20-C1-99 20-C1-00	84.048
Total Vocational Education		
Safe and Drug Free Schools and Communities- State Grant	DR-S1-99	84.186
Eisenhower Professional Development State Grant	MS-S1-99 MS-S1-00	84.281
Total Eisenhower Professional Development State Grant		
Innovative Education Program Strategies	C2-S1-99 C2-S1-00	84.298
Total Innovative Education Program Strategies		
Class Size Reduction- Title VI-R	CR-S1-00	84.340
Adult Education State Grant Program	AB-S1-99	84.002
Total U.S. Department of Education		
Total Federal Assistance		

The Notes to the Schedule of Federal Awards Expenditures are an integral part of this schedule.

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
	\$94,999		\$112,643
\$7,569		\$7,569	
225,588		225,588	
233,157	94,999	233,157	112,643
20,790		20,790	
53,641		53,641	
241,862		197,982	
295,503		251,623	
46,087		85,253	
66,768		65,545	
112,855		150,798	
6,066		6,066	
38,128		26,947	
44,194		33,013	
4,911		2,781	
14,454		14,048	
4,803			
19,257		14,048	
2,800		2,283	
6,395		9,773	
9,195		12,056	
63,879		53,342	
14,452		9,339	
564,246		527,000	
\$818,193	\$94,999	\$780,947	\$112,643

**OREGON CITY SCHOOL DISTRICT
LUCAS 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 - 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, 2000, the District had \$21,323 in food commodities inventory.



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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 43616-2269

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, 2000, and have issued our report thereon dated December 21, 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 2000-10148-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated December 21, 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 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 School District in a separate letter dated December 21, 2000.

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

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

December 21, 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 43616-2269

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, 2000. 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, 2000.

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 audit committee, 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

December 21, 2000

OREGON CITY SCHOOL DISTRICT
LUCAS COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS
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(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):	Child Nutrition Cluster: Food Distribution Program CFDA #10.550 School Breakfast Program CFDA #10.553 National School Lunch Program CFDA #10.555
(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 2000-10148-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certifications are to be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate-If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrance, the Sheriff's Department may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipts of such certificate, if such expenditure is otherwise valid.

- B. Amounts less than one thousand dollars, may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

We found that in 22% of the expenditures tested the invoice date was prior to the purchase order date. This could result in unapproved expenditures, or commitments in excess of appropriations.

We recommend the Treasurer monitor purchasing activity more closely to assure that a purchase order is opened prior to a purchase being incurred.

3. FINDINGS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
JANUARY 30, 2001**