



**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Oberlin City School District
Lorain County
153 North Main Street
Oberlin, Ohio 44074

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

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

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

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

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

Jim Petro
Auditor of State

January 4, 2002

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OBERLIN CITY SCHOOL DISTRICT
 COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and other debits				
Equity in pooled cash and equivalents	\$ 2,687,889	\$ 405,646	\$ 318,495	\$ 142,982
Cash with fiscal agents	-	-	100	-
Restricted cash	396,064	-	-	-
Receivables, net				
Taxes, current	3,527,829	113,174	201,386	247,192
Taxes, delinquent	92,830	2,628	5,308	5,250
School income tax	720,713	-	-	-
Accrued interest	46,249	-	-	-
Interfund receivable	50,000	-	-	-
Inventories	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt	-	-	-	-
Amount to be provided for debt	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
Total assets and other debits	\$ 7,521,574	\$ 521,448	\$ 525,289	\$ 395,424
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 84,466	\$ 30,335	\$ -	\$ 44,480
Accrued liabilities				
Salaries and benefits	810,710	104,535	-	-
Due to other governments	165,077	14,032	-	-
Interfund payable	-	50,000	-	-
Due to students	-	-	-	-
Deferred revenue	3,006,779	126,293	166,683	211,643
Matured bonds and coupons	-	-	100	-
Bonds payable	-	-	-	-
Capital lease obligation	-	-	-	-
Compensated absences payable	19,246	-	-	-
Total liabilities	4,086,278	325,195	166,783	256,123
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for debt service	-	-	318,495	-
Reserved for budget stabilization	396,064	-	-	-
Reserved for encumbrances	343,171	99,043	-	67,911
Reserved for property tax	613,880	19,725	40,011	40,799
Unreserved	2,082,181	77,485	-	30,591
Total fund equity and other credits	3,435,296	196,253	358,506	139,301
Total liabilities, fund equity and other credits	\$ 7,521,574	\$ 521,448	\$ 525,289	\$ 395,424

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

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-term Debt	
Enterprise	Trust and Agency			
\$ 97,580	\$ 49,474	\$ -	\$ -	\$ 3,702,066
-	-	-	-	100
-	-	-	-	396,064
-	-	-	-	4,089,581
-	-	-	-	106,016
-	-	-	-	720,713
-	-	-	-	46,249
-	-	-	-	50,000
5,277	-	-	-	5,277
231,341	-	15,035,142	-	15,266,483
(216,723)	-	-	-	(216,723)
-	-	-	358,506	358,506
-	-	-	318,294	318,294
-	-	-	909,674	909,674
-	-	-	161,750	161,750
<u>\$ 117,475</u>	<u>\$ 49,474</u>	<u>\$ 15,035,142</u>	<u>\$ 1,748,224</u>	<u>\$ 25,914,050</u>
\$ 625	\$ 215	\$ -	\$ -	\$ 160,121
21,566	-	-	-	936,811
17,695	-	-	72,008	268,812
-	-	-	-	50,000
-	30,478	-	-	30,478
2,554	-	-	-	3,513,952
-	-	-	-	100
-	-	-	676,800	676,800
-	-	-	161,750	161,750
11,128	-	-	837,666	868,040
<u>53,568</u>	<u>30,693</u>	<u>-</u>	<u>1,748,224</u>	<u>6,666,864</u>
-	-	15,035,142	-	15,035,142
4,920	-	-	-	4,920
58,987	-	-	-	58,987
-	-	-	-	318,495
-	-	-	-	396,064
-	-	-	-	510,125
-	-	-	-	714,415
-	18,781	-	-	2,209,038
<u>63,907</u>	<u>18,781</u>	<u>15,035,142</u>	<u>-</u>	<u>19,247,186</u>
<u>\$ 117,475</u>	<u>\$ 49,474</u>	<u>\$ 15,035,142</u>	<u>\$ 1,748,224</u>	<u>\$ 25,914,050</u>

OBERLIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 6,163,797	\$ 108,518	\$ 219,929	\$ 216,714
Tuition and fees	63,475	-	-	-
Interest	327,571	-	-	-
Intergovernmental	2,963,910	701,773	27,951	84,762
Extracurricular	-	37,692	-	-
Miscellaneous	84,110	57,738	-	-
Total revenues	9,602,863	905,721	247,880	301,476
Expenditures				
Current				
Instruction				
Regular	4,100,660	363,097	-	34,783
Special	809,130	336,015	-	-
Vocational education	64,665	-	-	-
Supporting services				
Pupil	471,915	352,375	-	-
Instructional	342,943	79,777	-	-
Board of education	68,836	-	-	-
Administration	896,990	2,900	-	-
Fiscal	303,174	2,785	3,664	3,518
Business	66,508	9,671	-	-
Operation and maintenance	1,116,064	-	-	517,761
Pupil transportation	316,692	-	-	-
Central	22,160	20,952	-	-
Extracurricular				
Academic and subject oriented	41,261	-	-	-
Sports oriented	120,887	32,890	-	-
Co-curricular	33,544	414	-	-
Debt service				
Principal	70,229	-	320,000	31,048
Interest	19,204	-	61,813	10,533
Total expenditures	8,864,862	1,200,876	385,477	597,643
Excess (deficiency) of revenues over expenditures	738,001	(295,155)	(137,597)	(296,167)
Other financing sources (uses)				
Operating transfers-in	73,223	1,000	-	50,000
Operating transfers-out	(57,540)	-	-	(73,223)
Total other financing sources (uses)	15,683	1,000	-	(23,223)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	753,684	(294,155)	(137,597)	(319,390)
Fund balances at beginning of year	2,681,612	490,408	496,103	458,691
Fund balances at end of year	\$ 3,435,296	\$ 196,253	\$ 358,506	\$ 139,301

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

Fiduciary Fund Type	Totals (Memorandum Only)
Expendable Trust	
\$ -	\$ 6,708,958
-	63,475
-	327,571
-	3,778,396
-	37,692
-	141,848
-	11,057,940
-	4,498,540
-	1,145,145
-	64,665
-	824,290
-	422,720
-	68,836
-	899,890
-	313,141
-	76,179
-	1,633,825
-	316,692
-	43,112
-	41,261
-	153,777
-	33,958
-	421,277
-	91,550
-	11,048,858
-	9,082
-	124,223
-	(130,763)
-	(6,540)
-	2,542
18,781	4,145,595
\$ 18,781	\$ 4,148,137

OBERLIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 5,264,625	\$ 5,597,741	\$ 333,116
Tuition and fees	21,000	63,475	42,475
Interest	241,000	324,592	83,592
Intergovernmental	2,843,330	2,963,910	120,580
Extracurricular	-	-	-
Miscellaneous	74,381	84,110	9,729
Total revenues	<u>8,444,336</u>	<u>9,033,828</u>	<u>589,492</u>
Expenditures			
Current			
Instruction			
Regular	4,192,476	4,106,564	85,912
Special	889,989	858,305	31,684
Vocational education	91,760	67,054	24,706
Supporting services			
Pupil	532,038	505,800	26,238
Instructional	364,588	374,236	(9,648)
Board of education	76,224	90,183	(13,959)
Administration	933,756	893,122	40,634
Fiscal	321,754	290,060	31,694
Business	69,070	67,013	2,057
Operation and maintenance	869,278	1,157,681	(288,403)
Pupil transportation	384,881	403,792	(18,911)
Central	110,820	27,229	83,591
Extracurricular			
Academic and subject oriented	53,939	41,116	12,823
Sports oriented	126,900	127,145	(245)
Co-curricular	35,340	31,526	3,814
Debt service			
Principal	59,200	59,200	-
Interest	16,872	16,872	-
Total expenditures	<u>9,128,885</u>	<u>9,116,898</u>	<u>11,987</u>
Excess (deficiency) of revenue over expenditures	<u>(684,549)</u>	<u>(83,070)</u>	<u>601,479</u>
Other financing sources (uses)			
Operating transfers-in	73,223	73,223	-
Advances in	-	25,000	25,000
Operating transfers-out	(200,000)	(57,540)	142,460
Advances out	(25,000)	(25,000)	-
Pass through	(5,398)	-	5,398
Total other financing sources (uses)	<u>(157,175)</u>	<u>15,683</u>	<u>172,858</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	<u>(841,724)</u>	<u>(67,387)</u>	<u>774,337</u>
Prior year encumbrances	461,694	461,694	-
Fund balances at beginning of year	<u>2,283,279</u>	<u>2,283,279</u>	<u>-</u>
Fund balances at end of year	<u>\$ 1,903,249</u>	<u>\$ 2,677,586</u>	<u>\$ 774,337</u>

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 114,000	\$ 112,397	\$ (1,603)	\$ 178,802	\$ 234,297	\$ 55,495
-	-	-	-	-	-
-	-	-	-	-	-
756,550	677,676	(78,874)	14,000	27,951	13,951
31,000	37,692	6,692	-	-	-
56,100	57,738	1,638	-	-	-
<u>957,650</u>	<u>885,503</u>	<u>(72,147)</u>	<u>192,802</u>	<u>262,248</u>	<u>69,446</u>
568,706	410,501	158,205	-	-	-
288,337	287,384	953	-	-	-
-	-	-	-	-	-
403,480	376,533	26,947	-	-	-
93,026	80,647	12,379	-	-	-
-	-	-	-	-	-
17,696	2,900	14,796	-	-	-
1,700	2,785	(1,085)	6,500	3,664	2,836
11,500	9,131	2,369	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
14,085	20,952	(6,867)	-	-	-
-	-	-	-	-	-
32,929	37,228	(4,299)	-	-	-
2,450	1,060	1,390	-	-	-
-	-	-	320,000	320,000	-
-	-	-	61,375	61,813	(438)
<u>1,433,909</u>	<u>1,229,121</u>	<u>204,788</u>	<u>387,875</u>	<u>385,477</u>	<u>2,398</u>
<u>(476,259)</u>	<u>(343,618)</u>	<u>132,641</u>	<u>(195,073)</u>	<u>(123,229)</u>	<u>71,844</u>
-	1,000	1,000	-	-	-
5,000	-	(5,000)	-	-	-
-	-	-	-	-	-
(5,000)	-	5,000	-	-	-
-	-	-	-	-	-
-	<u>1,000</u>	<u>1,000</u>	-	-	-
(476,259)	(342,618)	133,641	(195,073)	(123,229)	71,844
89,968	89,968	-	-	-	-
531,144	531,144	-	441,724	441,724	-
<u>\$ 144,853</u>	<u>\$ 278,494</u>	<u>\$ 133,641</u>	<u>\$ 246,651</u>	<u>\$ 318,495</u>	<u>\$ 71,844</u>

OBERLIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) – ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Capital Projects		Variance Favorable (Unfavorable)
	Budget	Actual	
Revenues			
Taxes	\$ 232,624	\$ 224,611	\$ (8,013)
Tuition and fees	-	-	-
Interest	-	-	-
Intergovernmental	128,597	84,763	(43,834)
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>361,221</u>	<u>309,374</u>	<u>(51,847)</u>
Expenditures			
Current			
Instruction			
Regular	99,684	35,183	64,501
Special	-	-	-
Vocational education	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	5,000	3,518	1,482
Business	-	-	-
Operation and maintenance	776,497	752,813	23,684
Pupil transportation	-	-	-
Central	-	-	-
Extracurricular			
Academic and subject oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>881,181</u>	<u>791,514</u>	<u>89,667</u>
Excess (deficiency) of revenue over expenditures	<u>(519,960)</u>	<u>(482,140)</u>	<u>37,820</u>
Other financing sources (uses)			
Operating transfers-in	-	50,000	50,000
Advances in	-	20,000	20,000
Operating transfers-out	(73,223)	(73,223)	-
Advances out	-	(20,000)	(20,000)
Pass through	-	-	-
Total other financing sources (uses)	<u>(73,223)</u>	<u>(23,223)</u>	<u>50,000</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(593,183)	(505,363)	87,820
Prior year encumbrances	351,824	351,824	-
Fund balances at beginning of year	186,930	186,930	-
Fund balances at end of year	<u>\$ (54,429)</u>	<u>\$ 33,391</u>	<u>\$ 87,820</u>

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

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 5,790,051	\$ 6,169,046	\$ 378,995
21,000	63,475	42,475
241,000	324,592	83,592
3,742,477	3,754,300	11,823
31,000	37,692	6,692
130,481	141,848	11,367
<u>9,956,009</u>	<u>10,490,953</u>	<u>534,944</u>
4,860,866	4,552,248	308,618
1,178,326	1,145,689	32,637
91,760	67,054	24,706
935,518	882,333	53,185
457,614	454,883	2,731
76,224	90,183	(13,959)
951,452	896,022	55,430
334,954	300,027	34,927
80,570	76,144	4,426
1,645,775	1,910,494	(264,719)
384,881	403,792	(18,911)
124,905	48,181	76,724
53,939	41,116	12,823
159,829	164,373	(4,544)
37,790	32,586	5,204
379,200	379,200	-
78,247	78,685	(438)
<u>11,831,850</u>	<u>11,523,010</u>	<u>308,840</u>
<u>(1,875,841)</u>	<u>(1,032,057)</u>	<u>843,784</u>
73,223	124,223	51,000
5,000	45,000	40,000
(273,223)	(130,763)	142,460
(30,000)	(45,000)	(15,000)
(5,398)	-	5,398
<u>(230,398)</u>	<u>(6,540)</u>	<u>223,858</u>
(2,106,239)	(1,038,597)	1,067,642
903,486	903,486	-
3,443,077	3,443,077	-
<u>\$ 2,240,324</u>	<u>\$ 3,307,966</u>	<u>\$ 1,067,642</u>

OBERLIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
 IN RETAINED EARNINGS – PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Operating revenues	
Charges for services	\$ 144,859
Total operating revenues	144,859
Operating expenses	
Salaries and wages	127,792
Fringe benefits	27,773
Purchased services	8,144
Supplies and materials	140,984
Depreciation	2,606
Total operating expenses	307,299
Operating loss	(162,440)
Non-operating revenues	
Non-operating grants	140,469
Total non-operating revenues	140,469
Loss before operating transfers	(21,971)
Operating transfers-in	6,540
Net loss	(15,431)
Add depreciation on fixed assets acquired by capital grants, which reduces contributed capital from such grants	270
Retained earnings at beginning of year, as restated	74,148
Retained earnings at end of year	\$ 58,987

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

OBERLIN CITY SCHOOL DISTRICT
 COMBINED STATEMENT OF CASH FLOWS -
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (162,440)
adjustments to reconcile net (loss) to	
net cash provided by (used in) operating activities:	
Donated commodities, used	11,643
Depreciation	2,606
Changes in net assets (increase) decrease and	
liabilities increase (decrease)	
Inventories	(1,083)
Accounts and contracts payable	54
Accrued salaries and benefits	7,328
Due to other governments	1,713
Deferred revenue	1,092
Compensated absences payable	(1,489)
Total adjustments	21,864
Net cash (used in) operating activities	(140,576)
Cash flows from non-capital financing activities:	
Operating transfer-in	6,540
Non-operating grants	128,826
Net cash provided by non-capital financing activities	135,366
Net decrease in cash and equivalents	(5,210)
Equity in pooled cash and equivalents, beginning of year	102,790
Equity in pooled cash and equivalents, end of year	\$ 97,580

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

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OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Oberlin City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2000 was 1,059. The District employs 105 certificated and 54 non-certificated employees.

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

Lake Erie Educational Computer Association - The District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 19 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 19 to the financial statements.

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio. Oberlin City School District students may attend the vocational school district. This is a jointly governed organization. The District's participation is disclosed in Note 19 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This a jointly governed organization. The District's participation is disclosed in Note 19 to the financial statements.

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to local governmental units. For this fiscal year, the District has implemented GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION

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

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available, except for what is on hand with the county treasurer on the last day of the fiscal year which is recognized in the current period. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 13). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, since the measurement focus of governmental funds is on decreases in financial resources. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service funds for payments to be made early in the following year. Compensated absences are reported as a fund liability when payment will require the use of current available financial resources. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. Governmental funds include the following fund types:

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

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

Debt Service Fund - used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from Enterprise Funds.

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND BASIS OF PRESENTATION (continued)

Proprietary Fund Types

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as intergovernmental revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the board of education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary fund operations, unless those pronouncements conflict or contradict GASB pronouncements. Proprietary funds include the following fund types:

Proprietary funds include the following fund type:

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

Fiduciary Fund Types

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

Expendable Trust Fund - accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting.

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

Account Groups

The District maintains two account groups as described below:

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

General Long-term Debt Account Group - used to account for the outstanding principal balances of general obligation bonds and other long-term debt not reported in proprietary funds.

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. The provisions of the Ohio Revised Code restrict deposit and investment procedures. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest revenue credited to the general fund during fiscal year end amounted to \$327,571, which included interest assigned from other District funds.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. RESTRICTED CASH

Restricted cash in the general fund represents 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. A fund balance reserve has also been established.

D. RECEIVABLES

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

E. INVENTORIES

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

F. FIXED ASSETS AND DEPRECIATION

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized on general fixed assets. The District does not possess any infrastructure.

Fixed assets, which are used in proprietary fund type activities, are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available.

Proprietary fund type fixed assets consists of furniture and equipment. Depreciation is computed using the straight-line method based on the estimated useful lives of the assets. Estimated useful lives of depreciable assets consist of 8 to 20 years for furniture and equipment.

G. LONG-TERM LIABILITIES

Unmatured general long-term liabilities, which are related to governmental fund type operations, are reflected in the general long-term debt account group.

H. COMPENSATED ABSENCES

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the District and its employees is accrued as employees earn the rights to the benefits.

Compensated absences that relate to future services or that are contingent on specific events that is outside the control of the District and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental fund types, compensated absences that are expected to be liquidated with expendable available financial resources are reported as an expenditure and fund liability in the fund from which the employees who have accumulated unpaid leave are paid. The remainder of the compensated absences liability is reported in the general long-term debt account group. The District uses the vesting method to calculate the compensated absences liability.

In the proprietary funds, the entire amount of compensated absences is reported as an expense and fund liability.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. FUND EQUITY

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

J. TOTAL COLUMNS

Total columns on the combined financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. Interfund eliminations have not been made in the aggregation of this data.

K. USE OF ESTIMATES

The preparation of financial statements, in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 RESTATEMENT OF BEGINNING RETAINED EARNINGS

In prior years the District did not properly record depreciation expense. Accordingly, beginning retained earnings has been restated to reflect this expense.

	Enterprise
Beginning retained earnings, as previously reported	\$ 75,528
Depreciation expense	(1,380)
Beginning retained earnings, as restated	\$ 74,148

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources, which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

The allocation of appropriations among objects within a fund may be modified during the year by a resolution of the Board of Education. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end for governmental funds are reported as reservations of fund balances for subsequent-year expenditures.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 4 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements, and encumbrances. Accordingly, the "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the modified accrual basis of generally accepted accounting principles (GAAP basis) are that:

- 1.) Revenues are recorded when received (budget basis) rather than when susceptible to accrual (GAAP basis).
- 2.) Expenditures are recorded when paid or encumbered (budget basis) rather than when the liability is incurred (GAAP basis).
- 3.) Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types.

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

Excess (deficiency) of revenues over
 expenditures and other sources (uses) -
reconciliation of budget basis to GAAP basis

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (67,387)	\$ (342,618)	\$ (123,229)	\$ (505,363)
Adjustments, increase (decrease)				
Revenue accruals	569,035	20,218	(14,368)	(7,898)
Expenditure accruals	252,036	28,245	-	193,871
GAAP basis, as reported	<u>\$ 753,684</u>	<u>\$ (294,155)</u>	<u>\$ (137,597)</u>	<u>\$ (319,390)</u>

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements are deficit fund equity balances of \$5,524 in the D.P.I.A. Fund, \$8,926 in the Miscellaneous State Grants Fund, \$51,881 in the Title I Fund, and \$1,418 in the Title VI-R Fund. These deficit fund equity balances at year-end result from reflecting expenditures in accordance with the modified accrual basis of accounting which are substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in pooled cash and equivalents".

A. LEGAL REQUIREMENTS

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 that 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 by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be invested in:

- 1.) Time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts;
- 2.) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
- 3.) Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
- 4.) 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;
- 5.) Bonds and other obligations of the State of Ohio;
- 6.) No-load money market mutual funds consisting exclusively of obligations described in division 1) or 2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 7.) The State Treasurer's investment pool (STAROhio);
- 8.) Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
- 9.) Under limited circumstances, corporate 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 of debt of the District, and must be purchased with the expectation that it will be held until maturity.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 5 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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 monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS

At year-end, the carrying amount of the District's deposits was \$3,648,222 and the bank balance was \$3,853,838 all of which was covered by federal depository insurance or by collateral held by qualified third party trustees in the name of the District. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the District's name and all State statutory requirements of the deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

C. INVESTMENTS

Investments are categorized to give an indication of the level of risk assumed by an entity at year-end. Category 1 includes investments that are insured or registered or for which securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District invests in STAROhio, which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. During fiscal year 2001, the District invested in the State Treasury Assets Reserve (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2001.

	Category			Fair Value
	1	2	3	
Federal Agency Obligations	\$ -	\$ -	\$ 450,000	\$ 450,000
Investment in State Treasurer's Investment Pool - STAROhio	-	-	-	8
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,000</u>	<u>\$ 450,008</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 6 FIXED ASSETS

A. GENERAL FIXED ASSETS

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

	Balance June 30, 2000	Additions	Disposals	Balance June 30, 2001
Land	\$ 1,040,753	\$ -	\$ -	\$ 1,040,753
Buildings and improvements	10,248,608	-	-	10,248,608
Furniture and equipment	2,919,765	174,844	80,399	3,014,210
Vehicles	731,571	-	-	731,571
	<u>\$ 14,940,697</u>	<u>\$ 174,844</u>	<u>\$ 80,399</u>	<u>\$ 15,035,142</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	June 30, 2001
<u>Enterprise</u>	
Machinery and equipment	\$ 231,341
Less accumulated depreciation	216,723
Net fixed assets	<u>\$ 14,618</u>

NOTE 7 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2001
Property taxes	\$ 3,511,398
Federal commodities, unused	2,554
	<u>\$ 3,513,952</u>

NOTE 8 GENERAL LONG-TERM DEBT

The changes in general long-term debt are as follows:

	Outstanding June 30, 2000	Additions	Deductions	Outstanding June 30, 2001
Due to other governments	\$ 60,005	\$ 72,008	\$ 60,005	\$ 72,008
Bonds payable	1,056,000	-	379,200	676,800
Capital leases	203,827	-	42,077	161,750
Compensated absences	826,868	837,666	826,868	837,666
	<u>\$ 2,146,700</u>	<u>\$ 909,674</u>	<u>\$ 1,308,150</u>	<u>\$ 1,748,224</u>

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 9 DEBT SERVICE REQUIREMENTS

Debt service requirements to retire bonds payable outstanding at June 30, 2001, consisted of:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ 279,200	\$ 48,823	\$ 328,023
2003	279,200	21,898	301,098
2004	59,200	6,749	65,949
2005	59,200	3,374	62,574
	<u>\$ 676,800</u>	<u>\$ 80,844</u>	<u>\$ 757,644</u>

NOTE 10 BONDS PAYABLE

	<u>Outstanding June 30, 2000</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding June 30, 2001</u>
General obligation bonds				
School improvement, (1992) 5.375% through 2000	\$ 100,000	\$ -	\$ 100,000	\$ -
School construction, (1981) 11.75% through 2002	540,000	-	180,000	360,000
School construction, (1979) 6.30% through 2002	120,000	-	40,000	80,000
Energy conservation, (1996) 5.70% through 2005	296,000	-	59,200	236,800
	<u>\$ 1,056,000</u>	<u>\$ -</u>	<u>\$ 379,200</u>	<u>\$ 676,800</u>

NOTE 11 CAPITAL LEASE OBLIGATIONS

The District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The assets under capital leases totaled \$232,467 at June 30, 2001. The leases are in effect through 2004.

The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of June 30, 2001.

	<u>Year ending June 30,</u>	<u>Amount</u>
	2002	\$ 54,942
	2003	52,528
	2004	43,889
	2005	31,186
Total minimum lease payments		182,545
Less amount representing interest		(20,795)
Net present value of minimum lease payments		<u>\$ 161,750</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 12 OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 2001, expenditures for operating leases totaled \$41,992. The following is a schedule of future minimum lease payments as of June 30, 2001.

Year ending June 30,	Amount
2002	\$ 49,608
2003	49,608
2004	46,517
2005	46,236
2006	14,651
Total minimum lease payments	\$ 206,620

NOTE 13 PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Taxes collected on real property, other than public utility, in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of the preceding year, the lien date. Assessed values are established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

Taxes collected from tangible personal property, other than public utility, in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business, except for public utilities, is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20. Single-county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30 with the remainder payable by September 20.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property currently is assessed at 88% of its true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the District its portion of the taxes collected.

The tax applied to real property collected in 2001 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$67.92 per \$1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$27.50 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$34.30 per \$1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 2001, was \$67.92 per \$1,000 of valuation. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2001.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 13 PROPERTY TAXES (continued)

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$714,415, which was recognized as revenue and as fund balance reserved for property taxes.

The property valuation consisted of:

Real Property - 2000	
Residential / Agricultural	\$ 103,554,720
Commercial / Industrial	31,419,670
Tangible Personal Property - 2001	
General	17,036,700
Public Utilities	6,272,720
	<u>\$ 158,283,810</u>

NOTE 14 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District contracted with the Nationwide Insurance Company for property insurance. Professional liability is covered by the Nationwide Insurance Company with a \$1,000,000 umbrella and a \$5,000,000 aggregate limit. Vehicles are covered by the Nationwide Insurance Company. Automobile liability has a \$2,000,000 combined single limit of liability. Settled claims have not exceeded this commercial coverage in any of the past three years.

Public officials bonds of \$20,000 each are maintained for the Superintendent, Board Members, Principals, Assistant Treasurer, and Athletic Director, and bonds of \$10,000 each for the Cafeteria Supervisor and the Confidential Secretary to the Treasurer through the Nationwide Insurance Company. A public official bond in the amount of \$50,000 is maintained for the Treasurer, also through the Nationwide Insurance Company.

The District participates in the Ohio School Boards Association Worker's Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the Ohio School Boards Association (OSBA). The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 14 RISK MANAGEMENT (continued)

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has contracted with Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical and dental benefits for its employees and their covered dependents. LEEP is a program administered by LERC (Lake Erie Regional Council). The LEEP is a claims sharing pool comprised of fourteen school districts that provide public education within Lorain County. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$165,000 per participant.. The life insurance is through the Ohio Educational Employees Insurance Trust. The life insurance is term life with a limit of \$40,000 for classified employees and \$50,000 for certified employees through UNUM Life Insurance Company of America.

Premium contributions are determined annually based on the claims experience of the individual district. Premiums can be increased or decreased by up to 20% of the prior year's contribution. Member districts may become liable for additional contributions to fund the liability of the pool. In the event of termination, all participating districts' claims would be paid without regard to their individual account balances. The LEEP Board of Directors has authority to return monies to an exiting district subsequent to the settlement of all claims and expenses.

NOTE 15 PENDING LITIGATION

The Oberlin City School District is a defendant in certain litigation, the outcome of which cannot be determined. It is the opinion of the District's management that any judgement against the District would not have a material adverse effect on the District's financial position.

NOTE 16 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2001, consist of the following fund receivables and payables:

Fund	Receivable	Payable
General	\$ 50,000	\$ -
Education Technology	-	50,000
Total	\$ 50,000	\$ 50,000

NOTE 17 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan 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. Chapter 3309 of the Ohio Revised Code establishes benefits. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 17 PENSION PLANS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The District's contributions to SERS for the years ended June 30, 2001, 2000, and 1999 were \$180,000, \$167,000, and \$167,000, respectively. The District paid the required contributions for fiscal years 2000 and 1999. For fiscal year 2001, 84% has been contributed with the remainder being recorded as a fund liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6%. Contribution rates are established by STRS, upon recommendation of it's consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2001, 2000, and 1999 were \$726,000, \$642,000, and \$599,000, respectively. The District paid the required contributions for fiscal years 2000 and 1999. For fiscal year 2001, 82% has been contributed with the remainder being recorded as a liability within the respective funds.

NOTE 18 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8% of covered payroll, an increase of 1.3% from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2001 the minimum pay has been established as \$12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2001 fiscal year equaled \$116,650. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million, at cost.

The number of participants currently receiving health care benefits is approximately 50,000.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 18 POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 2000 (the latest information available), the board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000.

For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

NOTE 19 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

The Lake Erie Educational Computer Association (LEECA) is a jointly governed organization comprised of thirty school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts.

Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid approximately \$133,400 to LEECA for basic service charges.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among fourteen school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service and insurance. Each member provides operating resources to LERC on a per pupil or actual usage charge except for insurance.

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2001 the District paid approximately \$565,000 to LERC.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 19 JOINTLY GOVERNED ORGANIZATIONS (continued)

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a separate body politic and corporate, established by the Ohio Revised Code to provide vocational and special education needs of the students. The Board of the Lorain County Joint Vocational School District is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, accounting, and financing related activities.

Each School District's control is limited to its representation on the board. The Oberlin City School District's students may attend the Lorain County Joint Vocational School District. Financial information can be obtained by contacting the Lorain County Joint Vocational School District, 15181 State Route 58 South, Oberlin, Ohio 44074.

D. OHIO SCHOOLS COUNCIL OF GOVERNMENTS

The Ohio Schools Council is a jointly governed organization among eighty three districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, driver education, food service, and insurance. Each member provided operating resources to Ohio Schools Council on a per pupil or actual usage charge except for insurance.

The Ohio Schools Council assembly consists of a superintendent of designated representative from each participating district and the fiscal agent. The Ohio Schools Council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Executive Secretary at the Ohio Schools Council located at 155 Center Road, Bedford, Ohio 44146. During the year ended June 30, 2001 the district paid approximately \$880 to the Ohio Schools Council.

NOTE 20 CONTINGENT LIABILITIES

The District receives financial assistance from various state and federal agencies. There are certain requirements of a compliance nature that have to be met and programs are subject to audit by the grantor agency. Any disallowed claims could be liabilities of the general fund or other applicable funds. In the opinion of management, any claims that might arise would not have a material effect on the District's financial statements.

NOTE 21 CONTRACTUAL COMMITMENTS

At June 30, 2001 the District had contractual commitments as follows:

Project	Contract Amount	Expended to Date	Balance June 30, 2001
OHS weight room	\$ 52,700	\$ -	\$ 52,700
OHS canopy	18,700	-	18,700
OHS canopy - electrical	2,253	-	2,253
	<u>\$ 73,653</u>	<u>\$ -</u>	<u>\$ 73,653</u>

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 22 STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During fiscal year ended June 30, 2001, the reserve activity (cash basis) was as follows:

	<u>Textbook</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Balance, July 1, 2000	\$ -	\$ -	\$ 385,996
Required set aside			
	237,639	237,639	10,068
Offset credits	-	(229,186)	-
Qualifying expenditures	<u>(237,639)</u>	<u>(8,453)</u>	<u>-</u>
Carry forward to June 30, 2001	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 396,064</u>

Qualifying expenditures and offset credits for capital maintenance and textbooks during the year were \$685,381 and \$309,703, respectively, which exceeded the required set-aside.

NOTE 23 SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and the latchkey program. Segment information related to these follows:

	<u>Food Service</u>	<u>Latchkey Services</u>	<u>Total</u>
Operating revenues	\$ 144,859	\$ -	\$ 144,859
Operating expenses			
Salaries and wages	127,792	-	127,792
Fringe benefits	27,773	-	27,773
Purchased services	8,144	-	8,144
Materials and supplies	140,984	-	140,984
Depreciation	2,606	-	2,606
Total operating expenses	<u>307,299</u>	<u>-</u>	<u>307,299</u>
Operating (loss)	(162,440)	-	(162,440)
Non-operating revenues	<u>140,469</u>	<u>-</u>	<u>140,469</u>
(Loss) before operating transfers	<u>(21,971)</u>	<u>-</u>	<u>(21,971)</u>
Operating transfers-in	<u>6,540</u>	<u>-</u>	<u>6,540</u>
Net loss	<u>\$ (15,431)</u>	<u>\$ -</u>	<u>\$ (15,431)</u>
Other information			
Net working capital	<u>\$ 59,233</u>	<u>\$ 1,184</u>	<u>\$ 60,417</u>
Total assets	<u>\$ 116,291</u>	<u>\$ 1,184</u>	<u>\$ 117,475</u>
Total equity	<u>\$ 62,723</u>	<u>\$ 1,184</u>	<u>\$ 63,907</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 24 CONTRIBUTED CAPITAL

The changes in the District's contributed capital account was as follows:

	Amount
Contributed capital, 6/30/00	\$ 5,190
Reductions, depreciation	(270)
Contributed capital, 6/30/01	\$ 4,920

NOTE 25 STATE SCHOOL FUNDING DECISION

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

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

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 4, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

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**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Program	CFDA #	Pass-through Agency Awarding Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department Of Education						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	044594 6B-SF 2001	\$101,179	\$0	\$85,995	\$0
Special Education - Pre-school	84.173	044594 PG-S1 2001	8,851	0	12,029	0
Total Special Education Cluster			<u>110,030</u>	<u>0</u>	<u>98,024</u>	<u>0</u>
Title 1 Grants to Local Educational Agencies	84.010	044594 C1-S1 2001	237,735	0	237,408	0
Innovative Education Program Strategies	84.298	044594 C2-S1 2001	5,494	0	4,958	0
Class Size Reduction Subsidy	84.340	044594 CR-S1 2001	33,085	0	48,392	0
Tech Literacy Challenge	84.318	044594 G2-S2 2000	0	0	25,582	0
Goals 2000	84.276	044594 G2-S2 2000	21,000	0	0	0
Eisenhower Professional Development State Grant	84.281	044594 MS-S1 2001	6,420	0	3,767	0
Safe and Drug-Free Schools and Communities-State Grants	84.186	044594 DR-S1 2001	4,604	0	4,604	0
Total United States Department of Education			<u>418,368</u>	<u>0</u>	<u>422,735</u>	<u>0</u>
United States Department Of Agriculture						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
School Breakfast Program	10.553	044594 05-PU 2000	18,090	0	18,090	0
National School Lunch Program	10.555	044594 LL-P1/P4 00/01	102,662	0	102,662	0
Food Distribution Program	10.550	044594 04-PU	0	12,736	0	11,643
Total Nutrition Cluster/Total United States Department of Agriculture			<u>120,752</u>	<u>12,736</u>	<u>120,752</u>	<u>11,643</u>
Total Federal Financial Assistance			<u>\$539,120</u>	<u>\$12,736</u>	<u>\$543,487</u>	<u>\$11,643</u>

The notes to the Schedule of Federal Awards, Receipts, and Expenditures are an integral part of this statement.

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) includes the federal grant activity of the District and is presented on the basis of cash receipts and disbursements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

NOTE B - NATIONAL SCHOOL LUNCH PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had food commodities valued at \$2,554 in inventory.



**STATE OF OHIO
OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

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615 W Superior Ave
Floor 12
Cleveland OH 44113 -
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800-626-
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www.auditor.state.oh.

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

Board of Education
Oberlin City School District
Lorain County
153 North Main Street
Lorain, Ohio 44052

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

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 4, 2002.

Internal Control Over Financial Reporting

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

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

Jim Petro
Auditor of State

January 4, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Board of Education
Oberlin City School District
Lorain County
153 North Main Street
Oberlin, Ohio 44074

Compliance

We have audited the compliance of the Oberlin City School District, Lorain County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Internal Control Over Compliance (Continued)

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

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

Jim Petro
Auditor of State

January 4, 2002

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

June 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I - CFDA 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	\$ 300,000
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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OBERLIN CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 21, 2002**