



**OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2002**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**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, 2002, 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, 2002, 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 December 11, 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.

The accompanying Schedule of Federal Awards 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. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

December 11, 2002

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OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY  
COMBINED BALANCE SHEET –  
ALL FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets and other debits</b>				
Equity in pooled cash and equivalents	\$ 2,017,634	\$ 148,200	\$ 248,746	\$ 287,445
Cash with fiscal agents	-	-	100	-
Restricted cash	396,064	-	-	-
Receivables, net				
Taxes, current	3,222,081	125,020	71,120	281,389
Taxes, delinquent	436,414	8,611	9,592	19,152
School income tax	599,357	-	-	-
Accrued interest	34,777	-	-	-
Interfund receivable	203,000	-	-	-
Inventories	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital leases	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 6,909,327</b>	<b>\$ 281,831</b>	<b>\$ 329,558</b>	<b>\$ 587,986</b>
<b>Liabilities, fund equity and other credits</b>				
<b>Liabilities</b>				
Accounts and contracts payables	\$ 41,384	\$ 44,334	\$ -	\$ -
Accrued salaries and benefits	946,948	65,221	-	-
Due to other governments	163,958	5,997	-	-
Interfund payable	-	203,000	-	-
Due to students	-	-	-	-
Deferred revenue	3,176,216	157,831	59,483	258,310
Matured bonds and coupons	-	-	100	-
Bonds payable	-	-	-	-
Capital lease obligation	-	-	-	-
Compensated absences payable	289,860	-	-	-
<b>Total liabilities</b>	<b>4,618,366</b>	<b>476,383</b>	<b>59,583</b>	<b>258,310</b>
<b>Fund equity and other credits</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings				
Unreserved	-	-	-	-
Fund balances				
Reserved for debt service	-	-	248,746	-
Reserved for budget stabilization	396,064	-	-	-
Reserved for encumbrances	260,069	58,882	-	-
Reserved for property tax	482,279	15,420	21,229	42,231
Unreserved	1,152,549	(268,854)	-	287,445
<b>Total fund equity and other credits</b>	<b>2,290,961</b>	<b>(194,552)</b>	<b>269,975</b>	<b>329,676</b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$ 6,909,327</b>	<b>\$ 281,831</b>	<b>\$ 329,558</b>	<b>\$ 587,986</b>

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			
\$ 91,168	\$ 48,704	\$ -	\$ -	\$ 2,841,897
-	-	-	-	100
-	-	-	-	396,064
-	-	-	-	3,699,610
-	-	-	-	473,769
-	-	-	-	599,357
-	-	-	-	34,777
-	-	-	-	203,000
8,139	-	-	-	8,139
231,341	-	15,238,241	-	15,469,582
(219,329)	-	-	-	(219,329)
-	-	-	269,975	269,975
-	-	-	127,625	127,625
-	-	-	981,854	981,854
-	-	-	116,624	116,624
<u>\$ 111,319</u>	<u>\$ 48,704</u>	<u>\$ 15,238,241</u>	<u>\$ 1,496,078</u>	<u>\$ 25,003,044</u>
\$ 800	\$ 13	\$ -	\$ -	\$ 86,531
24,320	-	-	-	1,036,489
14,698	-	-	74,166	258,819
-	-	-	-	203,000
-	28,168	-	-	28,168
2,810	-	-	-	3,654,650
-	-	-	-	100
-	-	-	397,600	397,600
-	-	-	116,624	116,624
13,771	-	-	907,688	1,211,319
<u>56,399</u>	<u>28,181</u>	<u>-</u>	<u>1,496,078</u>	<u>6,993,300</u>
-	-	15,238,241	-	15,238,241
4,650	-	-	-	4,650
50,270	-	-	-	50,270
-	-	-	-	248,746
-	-	-	-	396,064
-	-	-	-	318,951
-	-	-	-	561,159
-	20,523	-	-	1,191,663
<u>54,920</u>	<u>20,523</u>	<u>15,238,241</u>	<u>-</u>	<u>18,009,744</u>
<u>\$ 111,319</u>	<u>\$ 48,704</u>	<u>\$ 15,238,241</u>	<u>\$ 1,496,078</u>	<u>\$ 25,003,044</u>

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST

FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 4,608,250	\$ 99,335	\$ 147,929	\$ 238,938
Tuition and fees	88,131	-	-	-
Interest	194,836	-	-	-
Intergovernmental	3,604,264	710,879	21,539	37,597
Extracurricular	-	37,405	-	-
Miscellaneous	66,738	49,469	-	-
Total revenues	<u>8,562,219</u>	<u>897,088</u>	<u>169,468</u>	<u>276,535</u>
Expenditures				
Current				
Instruction				
Regular	4,669,209	552,225	-	6,666
Special	575,267	242,333	-	-
Vocational education	107,915	-	-	-
Supporting services				
Pupil	640,586	256,722	-	-
Instructional	363,110	82,041	-	-
Board of education	75,511	-	-	-
Administration	936,911	79,310	-	-
Fiscal	280,072	1,688	2,674	3,892
Business	68,145	24,565	-	-
Operation and maintenance	1,133,855	-	-	137,902
Pupil transportation	427,600	-	-	-
Central	21,502	13,438	-	-
Operation of non-instructional services				
Community services	-	-	-	-
Extracurricular				
Academic and subject oriented	50,509	-	-	-
Sports oriented	133,300	35,214	-	-
Co-curricular	33,604	357	-	-
Debt service				
Principal	71,090	-	220,000	33,236
Interest	14,969	-	35,325	8,344
Total expenditures	<u>9,603,155</u>	<u>1,287,893</u>	<u>257,999</u>	<u>190,040</u>
Excess (deficiency) of revenues over expenditures	<u>(1,040,936)</u>	<u>(390,805)</u>	<u>(88,531)</u>	<u>86,495</u>
Other financing sources (uses)				
Operating transfers-in	-	-	-	103,880
Gain on sale of fixed asset	471	-	-	-
Operating transfers-out	(103,880)	-	-	-
Total other financing sources (uses)	<u>(103,409)</u>	<u>-</u>	<u>-</u>	<u>103,880</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>(1,144,345)</u>	<u>(390,805)</u>	<u>(88,531)</u>	<u>190,375</u>
Fund balances, beginning of year	3,435,296	196,253	358,506	139,301
Fund balances, end of year	<u>\$ 2,290,951</u>	<u>\$ (194,552)</u>	<u>\$ 269,975</u>	<u>\$ 329,676</u>

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

Fiduciary Fund Type	Expendable Trust	Totals (Memorandum Only)
\$	-	\$ 5,094,452
	-	88,131
	-	194,836
	-	4,374,279
	-	37,405
	3,142	119,349
	<u>3,142</u>	<u>9,908,452</u>
	-	5,228,100
	-	817,600
	-	107,915
	-	897,308
	-	445,151
	-	75,511
	-	1,016,221
	-	288,326
	-	92,710
	-	1,271,757
	-	427,600
	-	34,940
	1,400	1,400
	-	50,509
	-	168,514
	-	33,961
	-	324,326
	-	58,638
	<u>1,400</u>	<u>11,340,487</u>
	<u>1,742</u>	<u>(1,432,035)</u>
	-	103,880
	-	471
	-	<u>(103,880)</u>
	-	<u>471</u>
	1,742	(1,431,564)
	18,781	4,148,137
\$	<u>20,523</u>	<u>\$ 2,716,573</u>

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENTS 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, 2002

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Taxes	\$ 5,255,910	\$ 4,861,207	\$ (394,703)
Tuition and fees	67,116	88,131	21,015
Interest	250,000	206,308	(43,692)
Intergovernmental	3,265,144	3,604,264	339,120
Extracurricular	-	-	-
Miscellaneous	74,381	66,738	(7,643)
Total revenues	<u>8,912,551</u>	<u>8,826,648</u>	<u>(85,903)</u>
Expenditures			
Current			
Instruction			
Regular	4,357,182	4,493,978	(136,796)
Special	903,708	656,091	247,617
Vocational education	103,620	99,482	4,138
Supporting services			
Pupil	624,051	585,427	38,624
Instructional	392,624	389,804	2,820
Board of education	95,679	86,511	9,168
Administration	1,026,431	956,866	69,565
Fiscal	342,897	282,864	60,033
Business	81,530	73,832	7,698
Operation and maintenance	961,731	1,167,054	(205,323)
Pupil transportation	515,379	435,306	80,073
Central	92,252	24,217	68,035
Extracurricular			
Academic and subject oriented	55,592	47,345	8,247
Sports oriented	148,320	130,139	18,181
Co-curricular	39,874	32,944	6,930
Capital Outlay	75,000	-	75,000
Debt Service			
Principal	59,200	59,200	-
Interest	13,498	13,498	-
Total expenditures	<u>9,888,568</u>	<u>9,534,558</u>	<u>354,010</u>
Excess (deficiency) of revenue over expenditures	<u>(976,017)</u>	<u>(707,910)</u>	<u>268,107</u>
Other financing sources (uses)			
Operating transfers-in	-	-	-
Advances in	25,000	-	(25,000)
Gain(loss) on sale of fixed assets	-	471	471
Operating transfers-out	(200,000)	(104,444)	95,556
Advances out	(25,000)	(153,000)	(128,000)
Pass through	(10,507)	-	10,507
Total other financing sources (uses)	<u>(210,507)</u>	<u>(256,973)</u>	<u>(46,466)</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	<u>(1,186,524)</u>	<u>(964,883)</u>	<u>221,641</u>
Prior year encumbrances	406,367	406,367	-
Fund balances, beginning of year	2,677,586	2,677,586	-
Fund balances, end of year	<u>\$ 1,897,429</u>	<u>\$ 2,119,070</u>	<u>\$ 221,641</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)
\$ 311,000	\$ 103,640	\$ (207,360)	\$ 225,425	\$ 166,711	\$ (58,714)
-	-	-	-	-	-
-	-	-	-	-	-
775,736	720,283	(55,453)	12,000	21,539	9,539
50,806	37,405	(13,401)	-	-	-
74,906	49,469	(25,437)	-	-	-
<u>1,212,448</u>	<u>910,797</u>	<u>(301,651)</u>	<u>237,425</u>	<u>188,250</u>	<u>(49,175)</u>
713,880	599,285	114,595	-	-	-
310,016	296,589	13,427	-	-	-
-	-	-	-	-	-
333,188	296,908	36,280	-	-	-
76,640	79,506	(2,866)	-	-	-
-	-	-	-	-	-
10,000	67,062	(57,062)	-	-	-
1,700	1,688	12	5,000	2,674	2,326
100,000	23,339	76,661	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,500	13,438	2,062	-	-	-
-	-	-	-	-	-
40,242	42,107	(1,865)	-	-	-
646	357	289	-	-	-
-	-	-	-	-	-
-	-	-	220,000	220,000	-
-	-	-	35,325	35,325	-
<u>1,601,812</u>	<u>1,420,279</u>	<u>181,533</u>	<u>260,325</u>	<u>257,999</u>	<u>2,326</u>
<u>(389,364)</u>	<u>(509,482)</u>	<u>(120,118)</u>	<u>(22,900)</u>	<u>(69,749)</u>	<u>(46,849)</u>
-	-	-	-	-	-
5,000	153,000	148,000	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(5,000)	-	5,000	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>153,000</u>	<u>153,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(389,364)	(356,482)	32,882	(22,900)	(69,749)	(46,849)
127,152	127,152	-	-	-	-
278,494	278,494	-	318,495	318,495	-
<u>\$ 16,282</u>	<u>\$ 49,164</u>	<u>\$ 32,882</u>	<u>\$ 295,595</u>	<u>\$ 248,746</u>	<u>\$ (46,849)</u>

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

COMBINED STATEMENTS 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, 2002

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 375,293	\$ 237,506	\$ (137,787)
Tuition and fees	-	-	-
Interest	-	-	-
Intergovernmental	29,588	37,597	8,009
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	<u>404,881</u>	<u>275,103</u>	<u>(129,778)</u>
Expenditures			
Current			
Instruction			
Regular	55,400	6,666	48,734
Special	-	-	-
Vocational education	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	4,240	3,892	348
Business	-	-	-
Operation and maintenance	484,191	223,962	260,229
Pupil transportation	-	-	-
Central	-	-	-
Extracurricular			
Academic and subject oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Capital Outlay	-	-	-
Debt Service			
Principal	-	-	-
Interest	-	-	-
Total expenditures	<u>543,831</u>	<u>234,520</u>	<u>309,311</u>
Excess (deficiency) of revenue over expenditures	(138,950)	40,583	179,533
Other financing sources (uses)			
Operating transfers-in	-	103,880	103,880
Advances in	-	-	-
Gain(loss) on sale of fixed assets	-	-	-
Operating transfers-out	-	-	-
Advances out	-	-	-
Pass through	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>103,880</u>	<u>103,880</u>
Excess (deficiency) of revenue over expenditures and other financing sources (uses)	(138,950)	144,463	283,413
Prior year encumbrances	109,591	109,591	-
Fund balances, beginning of year	33,391	33,391	-
Fund balances, end of year	<u>\$ 4,032</u>	<u>\$ 287,445</u>	<u>\$ 283,413</u>

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

Totals  
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,167,628	\$ 5,369,064	\$ (798,564)
67,116	88,131	21,015
250,000	206,308	(43,692)
4,082,468	4,383,683	301,215
50,806	37,405	(13,401)
149,287	116,207	(33,080)
<u>10,767,305</u>	<u>10,200,798</u>	<u>(566,507)</u>
5,126,462	5,099,929	26,533
1,213,724	952,680	261,044
103,620	99,482	4,138
957,239	882,335	74,904
469,264	469,310	(46)
95,679	86,511	9,168
1,036,431	1,023,928	12,503
353,837	291,118	62,719
181,530	97,171	84,359
1,445,922	1,391,016	54,906
515,379	435,306	80,073
107,752	37,655	70,097
55,592	47,345	8,247
188,562	172,246	16,316
40,520	33,301	7,219
75,000	-	75,000
279,200	279,200	-
48,823	48,823	-
<u>12,294,536</u>	<u>11,447,356</u>	<u>847,180</u>
(1,527,231)	(1,246,558)	280,673
-	103,880	103,880
30,000	153,000	123,000
-	471	471
(200,000)	(104,444)	95,556
(30,000)	(153,000)	(123,000)
(10,507)	-	10,507
<u>(210,507)</u>	<u>(93)</u>	<u>210,414</u>
(1,737,738)	(1,246,651)	491,087
643,110	643,110	-
3,307,966	3,307,966	-
<u>\$ 2,213,338</u>	<u>\$ 2,704,425</u>	<u>\$ 491,087</u>

OBERLIN CITY SCHOOL DISTRICT  
 LORAIN COUNTY  
 COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
 IN RETAINED EARNINGS – PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Operating revenues	
Charges for services	\$ 146,545
Total operating revenues	146,545
Operating expenses	
Salaries and wages	123,723
Fringe benefits	26,336
Purchased services	6,550
Supplies and materials	145,106
Depreciation	2,606
Total operating expenses	304,321
Operating loss	(157,776)
Non-operating revenues	
Non-operating grants	148,789
Total non-operating revenues	148,789
Net loss	(8,987)
Add depreciation on fixed assets acquired by capital grants, which reduces contributed capital from such grants	270
Retained earnings at beginning of year	58,987
Retained earnings at end of year	\$ 50,270

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

OBERLIN CITY SCHOOL DISTRICT  
 LORAIN COUNTY  
 COMBINED STATEMENT OF CASH FLOWS -  
 PROPRIETARY FUND TYPE  
 FOR THE YEAR ENDED JUNE 30, 2002

	Enterprise
Cash flows from operating activities:	
Operating loss	\$ (157,776)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:	
Donated commodities, used	14,623
Depreciation	2,606
Changes in net assets (increase) decrease and liabilities increase (decrease)	
Inventories	(2,862)
Accounts and contracts payable	175
Accrued salaries and benefits	2,754
Due to other governments	(2,997)
Deferred revenue	256
Compensated absences payable	2,643
Total adjustments	17,198
Net cash (used in) operating activities	(140,578)
Cash flows from non-capital financing activities:	
Non-operating grants	134,166
Net cash provided by non-capital financing activities	134,166
Net decrease in cash and equivalents	(6,412)
Equity in pooled cash and equivalents, beginning of year	97,580
Equity in pooled cash and equivalents, end of year	\$ 91,168

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

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OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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, 2001 was 1,074. The District employs 106 certificated and 55 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 18 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 18 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 18 to the financial statements.

Ohio Schools Council - The Ohio Schools Council 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 18 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  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

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 12). 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  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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 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 \$ 194,836, which included interest assigned from other District funds.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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 are 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  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

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 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.

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.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Estimated Resources (continued)

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, 2001 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 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.

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:

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting (continued)

- 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

	General	Special Revenue	Debt Service	Capital Projects
Budget basis	\$ (964,883)	\$ (356,482)	\$ (69,749)	\$ 144,463
Adjustments, increase (decrease)				
Revenue accruals	(264,429)	(166,709)	(18,782)	1,432
Expenditure accruals	84,967	132,386	-	44,480
GAAP basis, as reported	\$ (1,144,345)	\$ (390,805)	\$ (88,531)	\$ 190,375

B. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements are deficit fund equity balances of \$ 177,461 in the Education Tech Levy Fund, \$ 621 in the L.P.D.C. Block Grant Fund, \$ 76,867 in the EMIS Fund, \$ 22,270 in the D.P.I.A. Fund, \$ 116 in the Ohio Reads Fund, \$ 570 in the Miscellaneous State Grants Fund, \$ 5,362 in the Title VI-B Fund, \$ 4,223 in the Title I Fund, \$ 280 in the Title VI Fund and \$ 4,958 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 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. The EMIS Fund, Title I Fund and LPDC Block Grant Fund carried negative fund balances on the Budget (Non-GAAP) basis of \$62,612, \$217 and \$621.

C. COMPLIANCE

Contrary to Ohio Revised Code Sections 5705.41 (B) & (D), the District had one special revenue fund where expenditures plus encumbrances exceeded appropriations at the legal level of budgetary control at March 31, 2002.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 4 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  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 4 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 \$2,613,385 and the bank balance was \$2,772,058. Of the bank balance, \$1,280,283 was covered by Federal Depository Insurance and \$1,491,775 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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 2002, 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, 2002.

	Category			Fair Value
	1	2	3	
Federal Agency Obligations	\$ -	\$ -	\$ 600,000	\$ 600,000
Investment in STAROhio				24,676 \$ 624,676

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 5 FIXED ASSETS

A. GENERAL FIXED ASSETS

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

	Balance June 30, 2001	Additions	Disposals	Balance June 30, 2002
Land	\$ 1,040,753	\$ -	\$ -	\$ 1,040,753
Buildings and improvements	10,248,608	-	-	10,248,608
Furniture and equipment	3,014,210	248,701	45,602	3,217,309
Vehicles	731,571	-	-	731,571
	<u>\$ 15,035,142</u>	<u>\$ 248,701</u>	<u>\$ 45,602</u>	<u>\$ 15,238,241</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

	June 30, 2002
<u>Enterprise</u>	
Machinery and equipment	\$ 231,341
Less accumulated depreciation	219,329
Net fixed assets	<u>\$ 12,012</u>

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

	Balance June 30, 2002
Property taxes	\$ 3,612,220
Grants	39,620
Federal commodities, unused	2,810
	<u>\$ 3,654,650</u>

NOTE 7 GENERAL LONG-TERM DEBT

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

	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
Due to other governments	\$ 72,008	\$ 74,166	\$ 72,008	\$ 74,166
Bonds payable	676,800	-	279,200	397,600
Capital leases	161,750	-	45,126	116,624
Compensated absences	837,666	907,688	837,666	907,688
	<u>\$ 1,748,224</u>	<u>\$ 981,854</u>	<u>\$ 1,234,000</u>	<u>\$ 1,496,078</u>

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 8 BONDS PAYABLE

General obligation bonds	Outstanding June 30, 2001	Additions	Deductions	Outstanding June 30, 2002
School construction, (1981) 11.75% through 2002	360,000	-	180,000	180,000
School construction, (1979) 6.30% through 2002	80,000	-	40,000	40,000
Energy conservation, (1996) 5.70% through 2005	236,800	-	59,200	177,600
	<u>\$ 676,800</u>	<u>\$ -</u>	<u>\$ 279,200</u>	<u>\$ 397,600</u>

NOTE 9 DEBT SERVICE REQUIREMENTS

Debt service requirements to retire bonds payable outstanding at June 30, 2002, consisted of:

June 30,	Principal	Interest	Total
2003	\$ 279,200	\$ 21,898	\$ 301,098
2004	59,200	6,749	65,949
2005	59,200	3,374	62,574
	<u>\$ 397,600</u>	<u>\$ 32,021</u>	<u>\$ 429,621</u>

NOTE 10 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, 2002. 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, 2002.

	Year ending June 30,	Amount
	2003	\$ 52,528
	2004	43,889
	2005	31,186
Total minimum lease payments		127,603
Less amount representing interest		(10,979)
Net present value of minimum lease payments		<u>\$ 116,624</u>

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 11 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 2002, expenditures for operating leases totaled \$49,608. The following is a schedule of future minimum lease payments as of June 30, 2002.

Year ending June 30,	Amount
2003	\$ 49,608
2004	46,517
2005	46,236
2006	14,651
Total minimum lease payments	<u>\$ 157,012</u>

NOTE 12 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 2002 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 67.42 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 28.67 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 34.28 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, 2002, was \$ 67.42 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, 2002.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 12 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, 2002 was \$ 561,159, which was recognized as revenue and as fund balance reserved for property taxes.

The property valuation consisted of:

Real Property - 2000	
Residential / Agricultural	\$ 105,325,270
Commercial / Industrial	31,513,950
Tangible Personal Property - 2001	
General	13,978,100
Public Utilities	4,383,120
	<u>\$ 155,200,440</u>

NOTE 13 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 Hartford Insurance Company for property insurance. Professional liability is covered by the Ohio School Plan with a \$ 2,000,000 umbrella and a \$ 3,000,000 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 several 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  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 13 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 School District has contracted with the Lake Erie Regional Council of Governments (LERC) to provide employee health and medical benefits since December 1988. The LERC is a claims-servicing pool comprised of fourteen Lorain County school districts. Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow or individual account balance. Upon termination, the terminating School District would be liable for all outstanding claims beyond their individual account balance. The LERC Board of Directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. This plan provides a medical/surgical and dental plan.

The LERC's pool premiums are billed to each participating school district based on actuarially determined rates. Should contributions prove to be insufficient to pay program costs of the insurance program in any given year, each participating member is notified of their deficiency and their premium is adjusted to cover its share of the additional cost of anticipated future claims.

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.

NOTE 14 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 15 INTERFUND TRANSACTIONS

Interfund balances at June 30, 2002, consist of the following fund receivables and payables:

Fund	Receivable	Payable
General	\$ 203,000	\$ -
Education Technology	-	203,000
Total	\$ 203,000	\$ 203,000

NOTE 16 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. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or calling (615)222-5853.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 16 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, 2002, 2001, and 2000 were \$ 199,000, \$ 180,000, and \$ 167,000, respectively. The District paid the required contributions for fiscal years 2001 and 2000. For fiscal year 2002, 85% 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, 2002, 2001, and 2000 were \$ 730,000, \$ 726,000, and \$ 642,000, 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 liability within the respective funds.

NOTE 17 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, 2002, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2002, the minimum pay has been established as \$ 12,400. For the District, the amount to fund health care benefits, including surcharge, during the 2002 fiscal year equaled \$ 147,200. 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, 2001 were \$ 161,439,934 and the target level was \$ 242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$ 315.7 million, at cost.

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

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 17 POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

The State Teachers Retirement System (STRS) provides access to health care benefits to retirees and their dependents. Coverage under the current program 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 Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium.

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

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2001, the board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$ 3.256 billion on June 30, 2001.

For the year ended June 30, 2001, the net health care costs paid by STRS Ohio were \$ 300,772,000. There were 102,132 eligible benefit recipients.

NOTE 18 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, 2002 the District paid approximately \$ 149,100 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 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, 2002 the District paid approximately \$ 777,600 to LERC.

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 2002

NOTE 18 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

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. 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 Albert G. Vasek, Executive Secretary/Treasurer, at the Ohio Schools Council located at 6133 Rockside Road, Suite 10, Independence, Ohio 44131. During the year ended June 30, 2002 the district paid approximately \$ 600 to the Ohio Schools Council.

NOTE 19 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 20 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, 2002, the reserve activity (cash basis) was as follows:

	Textbook	Capital Maintenance	Budget Stabilization
Balance, July 1, 2001	\$ -	\$ -	\$ 396,064
Required set aside	126,473	126,473	-
Offset credits	-	(224,611)	-
Qualifying expenditures	(489,654)	(422,202)	-
Total	(363,181)	(520,340)	396,064
Carry forward at June 30, 2002	\$ (363,181)	\$ -	\$ 396,064

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 21 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:

	Food Service	Latchkey Services	Total
Operating revenues	\$ 146,545	\$ -	\$ 146,545
Operating expenses			
Salaries and wages	123,723	-	123,723
Fringe benefits	26,336	-	26,336
Purchased services	6,550	-	6,550
Materials and supplies	145,106	-	145,106
Depreciation	2,606	-	2,606
Total operating expenses	304,321	-	304,321
Operating (loss)	(157,776)	-	(157,776)
Non-operating revenues	148,789	-	148,789
Net loss	\$ (8,987)	\$ -	\$ (8,987)
Other information			
Net working capital	\$ 55,495	\$ 1,184	\$ 56,679
Total assets	\$ 110,135	\$ 1,184	\$ 111,319
Total equity	\$ 53,736	\$ 1,184	\$ 54,920

NOTE 22 CONTRIBUTED CAPITAL

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

	Amount
Contributed capital, 6/30/01	\$ 4,920
Reductions, depreciation	(270)
Contributed capital, 6/30/02	\$ 4,650

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY  
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 23 STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have in its future State funding and 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, 2002**

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. Department of Agriculture</b>						
<i>Passed Through the Ohio Department of Agriculture</i>						
Nutrition Cluster:						
Food Distribution	N/A	10.550	\$0	\$13,554	\$0	\$14,623
School Breakfast Program	05-PU 2001/02	10.553	16,512		16,512	
National School Lunch Program	LL-P1/P4 01/02	10.555	108,764	0	108,764	
Total U. S. Department of Agriculture - Nutrition Cluster			<b>125,276</b>	<b>13,554</b>	<b>125,276</b>	<b>14,623</b>
<b>U. S. Department of Education</b>						
<i>Passed Through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States	6B-SF 2001	84.027	0	0	31,312	0
Special Education - Grants to States	6B-SF 2002-P	84.027	112,145	0	103,988	0
Special Education - Pre-school	PG-S1 2001	84.173	0		2,486	
Special Education - Pre-school	PG-S1 2002-P	84.173	9,087	0	6,350	0
Total of Special Education			<b>121,232</b>	<b>0</b>	<b>144,136</b>	<b>0</b>
Eisenhower Professional Development	MS-S1-2001	84.281	0	0	5,258	0
Eisenhower Professional Development	MS-S1-2002	84.281	7,715	0	5,599	0
Total Eisenhower Professional Development			<b>\$7,715</b>	<b>0</b>	<b>\$10,857</b>	<b>0</b>
Title I Grants to Local Education Agencies	C1-S1-01	84.010	0	0	327	0
Title I Grants to Local Education Agencies	C1-S1-02	84.010	233,331	0	233,331	0
Total Title I Grants			<b>233,331</b>	<b>0</b>	<b>233,658</b>	<b>0</b>
Innovative Educational Program Strategies	C2-S1 01	84.298	0	0	4,102	0
Innovative Educational Program Strategies	C2-S1 02	84.298	5,375	0	4,880	0
Total Innovative Education Program Strategies			<b>5,375</b>	<b>0</b>	<b>8,982</b>	<b>0</b>
Title IV - Safe and Drug Free Schools	DR-S1 02	84.186	4,079	0	4,079	0
Tech Literacy Challenge	TFVL-2000	84.318	9,000	0	8,649	0
Goals 2000	G2-S2-2000	84.276	0	0	7,177	0
Title VI Class Size Reduction	CR-S1-01	84.340	3,677	0	8,934	0
Title VI Class Size Reduction	CR-S1-02	84.340	46,514		40,437	
Total Title VI Class Size Reduction			<b>50,191</b>	<b>0</b>	<b>49,371</b>	<b>0</b>
Total US Department of Education			<b>430,923</b>	<b>0</b>	<b>466,909</b>	<b>0</b>
Total Federal Assistance			<b>\$556,199</b>	<b>\$13,554</b>	<b>\$592,185</b>	<b>\$14,623</b>

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

**OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**JUNE 30, 2002**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) summarizes the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. 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 - 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. Values may change from month to month and are entirely subjective. At June 30, 2002, the District had no significant food commodities in inventory.

**NOTE C - NATIONAL SCHOOL LUNCH PROGRAM AND SCHOOL BREAKFAST PROGRAM**

Federal monies received by the District for this program are commingled with State grants and local revenues. It is assumed that federal monies are expended first.

N/A - Not applicable.

CFDA - Catalog of Federal Domestic Assistance.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**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  
Oberlin, Ohio 44074

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, 2002, and have issued our report thereon dated December 11, 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 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 2002-10818-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 11, 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 the management of the District in a separate letter dated December 11, 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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

December 11, 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  
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, 2002. 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, 2002.

**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.

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. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 11, 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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

December 11, 2002

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY  
JUNE 30, 2002

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505

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

OBERLIN CITY SCHOOL DISTRICT  
LORAIN COUNTY  
JUNE 30, 2002

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505

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

**FINDING NUMBER 2002-10818-001**

Ohio Rev. Code Sections 5705.41(B) & (D) prohibits a subdivision or taxing unit from making an expenditure or an expenditure plus encumbrance unless it has been properly appropriated. The following fund had expenditures plus encumbrances exceeding the legal level of appropriation at March 31, 2002:

Fund	Appropriations	Expenditures Plus Encumbrances	Variance
Technology Levy Fund	\$168,538	\$247,583	\$(79,045)

This weakness could allow expenditures or expenditures plus encumbrances in the above fund to exceed the total of the available fund balance and the current year revenues. This would then result in a negative fund balance.

The District was aware of these requirements but its control procedures failed to prevent or detect the non-compliance in these instances.

We recommend the District compare appropriations to expenditures and expenditures plus encumbrances, in all funds which are legally required to be budgeted, to ensure compliance with this requirement. This comparison should be performed on a monthly basis, at minimum.

**3. FINDINGS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**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  
JANUARY 9, 2003**