



**Auditor of State
Betty Montgomery**

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet All Funds Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) All Governmental Fund Types	8
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings All Proprietary Fund Types	10
Combined Statement of Cash Flows All Proprietary Fund Types	11
Notes to the General Purpose Financial Statements	13
Schedule of Receipts and Expenditures of Federal Awards	41
Notes to the Schedule of Receipts and Expenditures of Federal Awards	42
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	45
Schedule of Findings	47

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Orrville City School District, Wayne 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 District, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types 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 15, 2003 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 accompanying Schedule of Receipts and Expenditures of Federal Awards 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, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 15, 2003

This page intentionally left blank.

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
Combined Balance Sheet
All Fund Types and Account Groups**

June 30, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets</u>				
Equity in Pooled Cash and Cash Equivalents	\$ 591,388	\$ 236,703	\$ 43,004	\$ 594,360
Restricted Equity in Pooled Cash and Cash Equivalents	65,663	0	0	0
Cash in Segregated Accounts	0	4,000	0	0
Investments	0	0	0	0
Receivables:				
Taxes	6,470,581	0	271,504	923,712
Accounts	4,163	85	0	0
Interfund	8,215	0	0	0
Intergovernmental	424	11,313	0	64
Inventory Held For Resale	0	0	0	0
Fixed Assets (Net)	0	0	0	0
Total Assets	7,140,434	252,101	314,508	1,518,136
<u>Other Debits</u>				
Amount Available In Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Other Debits	0	0	0	0
Total Assets and Other Debits	\$ 7,140,434	\$ 252,101	\$ 314,508	\$ 1,518,136
<u>Liabilities</u>				
Accounts Payable	\$ 53,627	\$ 13,995	\$ 0	\$ 60,807
Accrued Wages and Benefits	1,134,524	57,315	0	0
Compensated Absences Payable	332,266	3,227	0	0
Interfund Payable	0	8,215	0	0
Intergovernmental Payable	205,539	12,156	0	0
Deferred Revenue	6,008,581	1,440	249,504	857,712
Claims Payable	0	0	0	0
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
Energy Conservation Loan Payable	0	0	0	279,450
Library Improvement Bonds	0	0	0	0
Total Liabilities	7,734,537	96,348	249,504	1,197,969
<u>Fund Equity and Other Credits</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings (Accumulated Deficit)	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	321,791	29,278	0	141,490
Reserved for Taxes	462,000	0	22,000	66,000
Reserved for BWC Refund	65,663	0	0	0
Unreserved, Undesignated	(1,443,557)	126,475	43,004	112,677
Total Fund Equity and Other Credits	(594,103)	155,753	65,004	320,167
Total Liabilities, Fund Equity and Other Credits	\$ 7,140,434	\$ 252,101	\$ 314,508	\$ 1,518,136

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

<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
<u>Enterprise</u>	<u>Internal Service</u>	<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
\$ 140,048	\$ 78,504	\$ 63,636	\$ 0	\$ 0	\$ 1,747,643
0	0	0	0	0	65,663
0	0	0	0	0	4,000
0	0	23,638	0	0	23,638
0	0	0	0	0	7,665,797
0	0	0	0	0	4,248
0	0	0	0	0	8,215
22,399	0	0	0	0	34,200
13,823	0	0	0	0	13,823
52,122	0	0	14,561,283	0	14,613,405
<u>228,392</u>	<u>78,504</u>	<u>87,274</u>	<u>14,561,283</u>	<u>0</u>	<u>24,180,632</u>
0	0	0	0	65,004	65,004
0	0	0	0	3,070,000	3,070,000
0	0	0	0	1,172,853	1,172,853
0	0	0	0	4,307,857	4,307,857
<u>\$ 228,392</u>	<u>\$ 78,504</u>	<u>\$ 87,274</u>	<u>\$ 14,561,283</u>	<u>\$ 4,307,857</u>	<u>\$ 28,488,489</u>
\$ 5,007	\$ 0	\$ 832	\$ 0	\$ 0	\$ 134,268
14,620	0	0	0	0	1,206,459
35,617	0	0	0	1,122,735	1,493,845
0	0	0	0	0	8,215
36,606	0	0	0	115,122	369,423
11,362	0	0	0	0	7,128,599
0	279,973	0	0	0	279,973
0	0	36,326	0	0	36,326
4,761	0	0	0	0	4,761
0	0	0	0	0	279,450
0	0	0	0	3,070,000	3,070,000
<u>107,973</u>	<u>279,973</u>	<u>37,158</u>	<u>0</u>	<u>4,307,857</u>	<u>14,011,319</u>
0	0	0	14,561,283	0	14,561,283
120,419	(201,269)	0	0	0	(80,850)
0	0	0	0	0	492,559
0	0	0	0	0	550,000
0	0	0	0	0	65,663
0	0	50,116	0	0	(1,111,285)
<u>120,419</u>	<u>(201,269)</u>	<u>50,116</u>	<u>14,561,283</u>	<u>0</u>	<u>14,477,370</u>
<u>\$ 228,392</u>	<u>\$ 78,704</u>	<u>\$ 87,274</u>	<u>\$ 14,561,283</u>	<u>\$ 4,307,857</u>	<u>\$ 28,488,689</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund

For the Fiscal Year Ended June 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<u>Revenues</u>			
Taxes	\$ 5,431,529	\$ 0	\$ 196,740
Intergovernmental	5,872,819	780,900	21,926
Investment Income	62,752	0	0
Tuition and Fees	27,675	0	0
Extracurricular Activities	0	255,583	0
Miscellaneous	31,254	14,869	0
Total Revenues	11,426,029	1,051,352	218,666
<u>Expenditures</u>			
Current:			
Instruction:			
Regular	6,284,069	171,755	0
Special	722,956	348,240	0
Vocational	356,595	0	0
Other	36,902	0	0
Support Services:			
Pupils	445,447	183,800	0
Instructional Staff	713,329	137,493	0
Board of Education	68,789	0	0
Administration	1,289,807	70,061	0
Fiscal	311,830	0	4,064
Business	92,679	0	0
Operation and Maintenance of Plant	1,177,082	4,311	0
Pupil Transportation	342,516	123	0
Central	30,181	11,671	0
Extracurricular Activities	209,949	188,190	0
Capital Outlay	7,364	0	0
Debt Service:			
Principal Retirement	0	0	65,000
Interest and Fiscal Charges	0	0	172,429
Total Expenditures	12,089,495	1,115,644	241,493
Excess of Revenues Over (Under) Expenditures	(663,466)	(64,292)	(22,827)
Fund Balance at Beginning of Year	69,363	220,045	87,831
Fund Balance (Deficit) at End of Year	\$ (594,103)	\$ 155,753	\$ 65,004

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 764,684	\$ 0	\$ 6,392,953
122,038	0	6,797,683
1,714	1,095	65,561
0	0	27,675
0	0	255,583
9,139	2,715	57,977
<u>897,575</u>	<u>3,810</u>	<u>13,597,432</u>
107,706	750	6,564,280
0	0	1,071,196
0	0	356,595
0	1,250	38,152
0	0	629,247
72,742	0	923,564
0	0	68,789
0	0	1,359,868
14,178	0	330,072
0	0	92,679
0	0	1,181,393
10,898	0	353,537
0	0	41,852
0	0	398,139
577,393	0	584,757
80,790	0	145,790
28,711	0	201,140
<u>892,418</u>	<u>2,000</u>	<u>14,341,050</u>
5,157	1,810	(743,618)
<u>315,010</u>	<u>48,306</u>	<u>740,555</u>
<u>\$ 320,167</u>	<u>\$ 50,116</u>	<u>\$ (3,063)</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
*Combined Statement of Revenues, Expenditures and
Changes in Fund Balances - Budget and Actual (Non-GAAP Basis)*
All Governmental Fund Types

For the Fiscal Year Ended Date June 30, 2002

	GENERAL FUND			SPECIAL REVENUE FUNDS		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues						
Taxes	\$ 5,920,300	\$ 5,620,537	\$ (299,763)	\$ 0	\$ 0	\$ 0
Intergovernmental	6,080,963	5,872,395	(208,568)	831,717	835,169	3,452
Investment Income	63,557	61,377	(2,180)	0	0	0
Tuition and Fees	28,549	27,570	(979)	0	0	0
Extracurricular Activities	0	0	0	255,098	255,498	400
Miscellaneous	28,135	27,170	(965)	14,868	14,869	1
Total Revenues	12,121,504	11,609,049	(512,455)	1,101,683	1,105,536	3,853
Expenditures						
Current						
Instruction						
Regular	6,498,370	6,421,649	76,721	229,509	202,298	27,211
Special	740,007	721,336	18,671	382,992	343,012	39,980
Vocational	378,756	353,061	25,695	0	0	0
Other	51,455	45,902	5,553	0	0	0
Support Services						
Pupils	515,762	480,938	34,824	168,886	183,192	(14,306)
Instructional Staff	745,248	690,251	54,997	110,811	130,318	(19,507)
Board of Education	184,829	157,826	27,003	0	0	0
Administration	1,187,431	1,164,156	23,275	73,735	73,518	217
Fiscal	347,880	327,816	20,064	0	0	0
Business	95,000	91,981	3,019	0	0	0
Operation and Maintenance of Plant	1,362,959	1,296,580	66,379	3,919	4,311	(392)
Pupil Transportation	357,937	339,970	17,967	536	123	413
Central	29,314	27,469	1,845	15,409	15,409	0
Extracurricular Activities	212,376	210,396	1,980	204,351	195,458	8,893
Capital Outlay	9,000	8,364	636	0	0	0
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	12,716,324	12,337,695	378,629	1,190,148	1,147,639	42,509
Excess of Revenues (Under) Expenditures	(594,820)	(728,646)	(133,826)	(88,465)	(42,103)	46,362
Other Financing Sources (Uses)						
Proceeds of Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	26	26	0	0	0
Advances In	0	15,275	15,275	0	8,215	8,215
Advances Out	0	(8,215)	(8,215)	0	(15,275)	(15,275)
Total Other Financing Sources (Uses)	0	7,086	7,086	0	(7,060)	(7,060)
Excess of Revenues and Other Financing Sources (Under) Expenditures and Other Financing Uses	(594,820)	(721,560)	(126,740)	(88,465)	(49,163)	39,302
Fund Balance Beginning of Year	657,822	657,822	0	145,687	145,687	0
Prior Year Encumbrances Appropriated	344,101	344,101	0	100,906	100,906	0
Fund Balance End of Year	\$ 407,103	\$ 280,363	\$ (126,740)	\$ 158,128	\$ 197,430	\$ 39,302

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

DEBT SERVICE FUND			CAPITAL PROJECTS FUNDS			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 205,743	\$ 205,740	\$ (3)	\$ 791,686	\$ 791,685	\$ (1)	\$ 6,917,729	\$ 6,617,962	\$ (299,767)
21,922	21,926	4	112,264	121,974	9,710	7,046,866	6,851,464	(195,402)
0	0	0	10,664	1,714	(8,950)	74,221	63,091	(11,130)
0	0	0	0	0	0	28,549	27,570	(979)
0	0	0	0	0	0	255,098	255,498	400
0	0	0	0	9,139	9,139	43,003	51,178	8,175
227,665	227,666	1	914,614	924,512	9,898	14,365,466	13,866,763	(498,703)
0	0	0	94,873	74,838	20,035	6,822,752	6,698,785	123,967
0	0	0	0	0	0	1,122,999	1,064,348	58,651
0	0	0	0	0	0	378,756	353,061	25,695
0	0	0	0	0	0	51,455	45,902	5,553
0	0	0	0	0	0	684,648	664,130	20,518
0	0	0	199,214	132,099	67,115	1,055,273	952,668	102,605
0	0	0	0	0	0	184,829	157,826	27,003
0	0	0	0	0	0	1,261,166	1,237,674	23,492
4,071	4,064	7	25,000	14,178	10,822	376,951	346,058	30,893
0	0	0	0	0	0	95,000	91,981	3,019
0	0	0	0	0	0	1,366,878	1,300,891	65,987
0	0	0	21,000	10,898	10,102	379,473	350,991	28,482
0	0	0	0	0	0	44,723	42,878	1,845
0	0	0	0	0	0	416,727	405,854	10,873
0	0	0	828,025	666,012	162,013	837,025	674,376	162,649
65,000	65,000	0	360,240	360,240	0	425,240	425,240	0
172,429	172,429	0	28,711	28,711	0	201,140	201,140	0
241,500	241,493	7	1,557,063	1,286,976	270,087	15,705,035	15,013,803	691,232
(13,835)	(13,827)	8	(642,449)	(362,464)	279,985	(1,339,569)	(1,147,040)	192,529
0	0	0	279,450	279,450	0	279,450	279,450	0
0	0	0	0	0	0	0	26	26
0	0	0	0	0	0	0	23,490	23,490
0	0	0	0	0	0	0	(23,490)	(23,490)
0	0	0	279,450	279,450	0	279,450	279,476	26
(13,835)	(13,827)	8	(362,999)	(83,014)	279,985	(1,060,119)	(867,564)	192,555
56,833	56,833	0	137,031	137,031	0	997,373	997,373	0
0	0	0	374,413	374,413	0	819,420	819,420	0
\$ 42,998	\$ 43,006	\$ 8	\$ 148,445	\$ 428,430	\$ 279,985	756,674	949,229	\$ 192,555

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
Combined Statement of Revenues,
Expenses, and Changes in Retained Earnings
All Proprietary Fund Types

For the Fiscal Year Ended June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<u>Operating Revenues</u>			
Charges for Services	\$ 352,964	\$ 747,003	\$ 1,099,967
Tuition	490	0	490
Total Operating Revenues	<u>353,454</u>	<u>747,003</u>	<u>1,100,457</u>
<u>Operating Expenses</u>			
Salaries	233,462	750	234,212
Fringe Benefits	94,936	106	95,042
Purchased Services	10,081	92,627	102,708
Materials and Supplies	261,484	2,528	264,012
Depreciation	5,116	0	5,116
Claims	0	860,179	860,179
Total Operating Expenses	<u>605,079</u>	<u>956,190</u>	<u>1,561,269</u>
Operating Loss	<u>(251,625)</u>	<u>(209,187)</u>	<u>(460,812)</u>
<u>Non-Operating Revenues (Expenses)</u>			
Grants	223,417	850	224,267
Donated Commodities	52,952	0	52,952
Investment Income	516	0	516
Interest Expense	(1,053)	0	(1,053)
Total Non-Operating Revenues (Expenses)	<u>275,832</u>	<u>850</u>	<u>276,682</u>
Net Income (Loss)	24,207	(208,337)	(184,130)
Retained Earnings Beginning of Year	<u>96,212</u>	<u>7,068</u>	<u>103,280</u>
Retained Earnings (Accumulated Deficit) End of Year	<u>\$ 120,419</u>	<u>\$ (201,269)</u>	<u>\$ (80,850)</u>

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

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
Combined Statement of Cash Flows
All Proprietary Fund Types

For the Fiscal Year Ended Date June 30, 2002

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
INCREASE IN CASH AND CASH EQUIVALENTS:			
<u>Cash Flows From Operating Activities</u>			
Cash Received from Customers	\$ 353,454	\$ 747,003	\$ 1,100,457
Cash Paid for Goods and Services	(218,759)	(95,155)	(313,914)
Cash Paid to Employees	(305,349)	(856)	(306,205)
Cash Paid for Claims	0	(580,406)	(580,406)
Net Cash (Used For) Provided By Operating Activities	<u>(170,654)</u>	<u>70,586</u>	<u>(100,068)</u>
<u>Cash Flows From Non-Capital Financing Activities</u>			
Grants	201,018	850	201,868
Investment Income	516	0	516
Net Cash Provided By Non-Capital Activities	<u>201,534</u>	<u>850</u>	<u>202,384</u>
<u>Cash Flows From Capital Financing Activities</u>			
Acquisition of Fixed Assets	(15,840)	0	(15,840)
Principal Payments on Capital Lease	(8,906)	0	(8,906)
Interest Payments on Capital Lease	(1,053)	0	(1,053)
Net Cash (Used For) Non-Capital Activities	<u>(25,799)</u>	<u>0</u>	<u>(25,799)</u>
Net Increase in Cash and Cash Equivalents	5,081	71,436	76,517
Cash and Cash Equivalents at Beginning of Year	134,967	7,068	142,035
Cash and Cash Equivalents at End of Year	<u>\$ 140,048</u>	<u>\$ 78,504</u>	<u>\$ 218,552</u>
<u>Reconciliation of Operating (Loss) to Net Cash (Used For) Provided by Operating Activities</u>			
Operating Loss	\$ (251,625)	\$ (209,187)	\$ (460,812)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:			
Depreciation	5,116	0	5,116
Non-cash Donated Commodities	52,952	0	52,952
(Increase) Decrease in Assets:			
Inventory	(984)	0	(984)
Prepaid Expenses	3,071	0	3,071
Increase in Liabilities:			
Accounts Payable	28	0	28
Accrued Wages and Benefits	8,478	0	8,478
Deferred Revenue	810	0	810
Compensated Absences Payable	3,399	0	3,399
Intergovernmental Payable	8,101	0	8,101
Claims Payable	0	279,773	279,773
Total Adjustments	<u>80,971</u>	<u>279,773</u>	<u>360,744</u>
Net Cash (Used For) Provided By Operating Activities	<u>\$ (170,654)</u>	<u>\$ 70,586</u>	<u>\$ (100,068)</u>
NON-CASH CAPITAL INVESTING AND RELATED FINANCING ACTIVITIES:			
Donated commodities received	<u>\$ 53,763</u>	<u>\$ 0</u>	<u>\$ 53,763</u>

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

This page intentionally left blank.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

The Orrville 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 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 1,970. The District employs 11 administrative staff, 143 certificated and 96 non-certificated employees.

The reporting entity is required to be 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 the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the 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 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 District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations, and the Orrville Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations are presented in Notes 21 and 17.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 to report on its' financial position and the results of operations. 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 are maintained consistent with legal and managerial requirements. Account groups are reporting devices 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:

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types and the expendable trust fund use the flow of current financial resources measurement focus and the modified accrual basis of accounting. 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. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay the liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. Revenue from property taxes is recognized in the fiscal year for which taxes are levied. (See Note 10) Revenue from grants 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2002, but which are levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Under the modified accrual basis of accounting, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. 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 payment to be made early in the following year. Compensated absences are reported as a fund liability when payment will require 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:

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Proprietary Fund Types

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types. Revenues are recognized in the accounting period which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary fund types include the following fund types:

Enterprise Funds – The enterprise funds are 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 be 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.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other governmental units, on a cost-reimbursement basis.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 – The expendable trust fund is accounted for in essentially the same manner as the governmental fund types.

Agency Fund – The agency fund is custodial in nature and does not present results of operations or have a measurement focus. This fund is used to account for assets that the District holds for others in an agency capacity.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of the general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

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

B. 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 by the County Auditor.

Although only governmental funds are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis), all funds, other than the agency fund, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary modifications to total appropriations may only be made by resolution of the Board of Education. However, the Treasurer may make appropriation modifications at the function level without a Board of Education resolution as long as total appropriations per fund does not change.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax Budget

A budget of estimated revenue and expenditures is submitted to the Wayne 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 that 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 Basis) - All Governmental Fund Types" do not include July 1, 2001 unencumbered fund balances. However, those fund balances are available for appropriations. The District limited the reporting of budgetary comparisons to the governmental funds in compliance with GASB Codification 2400.102 and .110.

Appropriations

A temporary appropriations 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 affixes 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 functions within a fund may be modified during the year by the Treasurer. 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 Basis) - All Governmental Fund Types" represent the final appropriation amounts including all amendments and modifications. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds 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 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 balance for subsequent year expenditures.

C. Cash and Cash Equivalents

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 administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

During fiscal year 2002, investments were limited to Certificates of Deposit and a repurchase agreement. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$62,752, which includes \$19,516 assigned from other District funds.

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a BWC refund reserve. The BWC refund reserve can be used only for purposes specified by the State statute.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Receivables

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

F. Interfund Assets/Liabilities

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

G. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consist of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. 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 purchased or constructed. 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. 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. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: equipment, 10 years. The District’s capitalization threshold is \$500.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

Under Ohio law, a debt service fund must be created and used for the payment of tax and revenue anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

J. Interfund Transactions

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

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of proprietary type funds is reflected as a liability in the respective funds. The current portion of unpaid compensated absences for sick leave related to governmental fund type operations is reflected in the respective funds. For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group.

L. Fund Balance Reserves

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 appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, BWC refund, and taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The District currently participates in several state and federal programs, categorized as follows:

Entitlements

General Fund:

State Foundation Program
State Property Tax Relief
School Bus Purchase Allowance

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-Reimbursable Grants

Special Revenue Funds:

Career Education
Education Management Information Systems
Ohio Reads
Eisenhower Grant
Title I
Title II
Title VI
Alternative Education Grant
Title VI-B
Title VI-R
Onenet Ohio Program
Drug-Free Schools
Schoolnet Plus
School-to-Work
Safe School Help Line
Disadvantaged Pupil Impact Aid

Capital Projects Funds:

School Net

Reimbursable Grants

General Fund:

Medical Assistance Program

Proprietary Funds:

National School Lunch Program
Government Donated Commodities
Special Milk Program for Children
School Breakfast Program

Grants and entitlements amounted to approximately 46% of the District's operating revenue during the 2002 fiscal year.

N. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balances on the 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 Basis) - All Governmental Fund Types" is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types as note disclosure in the proprietary fund type (GAAP basis).

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 (Under) Expenditures and Other Financing
Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Funds
Budget Basis	\$ (721,560)	\$ (49,163)	\$ (13,827)	\$ (83,014)
Encumbrances	375,167	43,273	0	158,098
Revenue accruals	(198,321)	(62,399)	(9,000)	(306,387)
Expenditure accruals	<u>(118,752)</u>	<u>3,997</u>	<u>0</u>	<u>236,460</u>
GAAP Basis	<u>\$ (663,466)</u>	<u>\$ (64,292)</u>	<u>\$ (22,827)</u>	<u>\$ 5,157</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 4: DEPOSITS AND INVESTMENTS

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

Active monies are public deposits necessary to meet the 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 identified as not required for use within the current 5 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 which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be deposited or invested in the following securities:

- 1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- 2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 3) Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
- 4) Bonds and any other obligations of the State of Ohio;
- 5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- 6) The State Treasurer's Investment Pool (STAR Ohio);

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

- 7) Certain bankers acceptances and commercial paper notes for a period not to exceed 180 days from the purchase date in any amount not to exceed 25% of the interim monies available for investment at any one time; and
- 8) Under limited circumstances, corporate debt interests noted 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 5 years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institutions as security for repayment, by surety company bonds deposited with the District by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited within 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 District or, if the securities are not represented by certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

At year-end, the carrying amount of the District's deposits was \$1,840,944, which includes \$4,005 cash on hand, and the bank balance was \$2,094,501. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$1,994,501 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for 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.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 1,817,306	\$ 23,638
Certificates of Deposit with maturity greater than three months	<u>23,638</u>	<u>(23,638)</u>
GASB Statement 3	<u>\$ 1,840,944</u>	<u>\$ 0</u>

NOTE 5: RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (customer services and student fees), accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. A summary of the principal items of intergovernmental receivables follow:

General Fund:	
Homestead Rollback	\$ 389
TRI-CO ESC	35
Special Revenue:	
Title I	3,375
Title II	900
Title IV	855
Title VI B	1,440
Athletics	4,743
Capital Projects:	
Permanent Improvement Fund	64
Enterprise Fund:	
Food Service	<u>22,399</u>
	<u>\$ 34,200</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 6: FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. General Fixed Assets Account Group

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

	Balance July 1, 2001	Additions	Disposals	Balance June 30, 2002
Land	\$ 984,038	\$ 0	\$ 0	\$ 984,038
Buildings and improvements	8,716,732	0	0	8,716,732
Furniture and equipment	3,824,755	554,319	0	4,379,074
Vehicles	437,362	0	(31,223)	406,139
Construction in progress	0	75,300	0	75,300
Totals	\$ 13,962,887	\$ 629,619	\$ (31,223)	\$ 14,561,283

B. Proprietary Fund Type Fixed Assets

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

<u>Enterprise</u>	<u>June 30, 2002</u>
Equipment	\$ 165,581
Less: accumulated depreciation	(113,459)
Net fixed assets	\$ 52,122

NOTE 7: NOTE DEBT

The District's note activity, including amounts outstanding, interest rates and the purpose for which the note was issued is as follows:

	Outstanding 6/30/01	Additions	Reductions	Outstanding 6/30/02
Capital Projects Funds, HB264, 3.25%	\$ 279,450	\$ 279,450	\$ (279,450)	\$ 279,450

The District issued bond anticipation note debt on July 25, 2001 for the purpose of providing the implementation of energy conservation measures. The note matures July 25, 2002.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 8: GENERAL LONG-TERM OBLIGATIONS

The changes in the District's general long-term obligations during the fiscal year 2002 were as follows:

	<u>Outstanding June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding June 30, 2002</u>
House/lot land contract, 5% interest rate, due January 15, 2009	\$ 80,790	\$ 0	\$ (80,790)	\$ 0
Library Improvement Bonds, 5.85% interest rate, due Dec. 1, 2022	3,135,000	0	(65,000)	3,070,000
Intergovernmental: SERS payable	111,380	3,742	0	115,122
Compensated absences	<u>1,058,429</u>	<u>64,306</u>	<u>0</u>	<u>1,122,735</u>
Totals	<u>\$ 4,385,599</u>	<u>\$ 68,048</u>	<u>\$ (145,790)</u>	<u>\$ 4,307,857</u>

The District purchased land and a house on a land contract for a future Oak Street School Capital Improvement on January 9, 1998. This note is backed by the full faith and credit of the District. The District exercised their option in FY2002 to pay off the loan early with the consent of the seller.

On December 31, 1997 the District issued \$3,300,000 in voted library improvement bonds for the purpose of improving the Orrville Public Library. The library bond issuance consists of four \$825,000 bonds of like tenor and effect numbered from R-1 through R-4 with a yield varying between 4.00% to 5.8%. The bonds were issued to pay costs of renovating, adding to, improving, furnishing and equipping the existing Orrville Public Library and its site, including acquiring real estate, improving electronic technology and facilitating access by handicapped persons, under authority of and pursuant to the laws of the State of Ohio, particularly Chapter 133 and Section 3375.43 of the Revised Code. The requisite majority vote of District electors were cast at the November 4, 1997 election upon the question of issuing bonds and levying a tax outside the ten mill limitation to pay the principal and interest on those bonds. Resolution No. 1997-43 adopted by the Board of Education on December 15, 1997 (the "Resolution") approved placing the levy on the ballot on behalf of the Orrville Public Library.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 8: GENERAL LONG-TERM OBLIGATIONS (Continued)

Annual requirements to retire general obligation debt, including notes outstanding at June 30, 2002, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30, 2003	\$ 70,000	\$ 169,323	\$ 239,323
2004	75,000	165,914	240,914
2005	80,000	162,192	242,192
2006	85,000	158,149	243,149
2007	90,000	153,733	243,733
2008-2012	555,000	689,011	1,244,011
2013-2017	800,000	502,238	1,302,238
2018-2022	1,065,000	235,686	1,300,686
2023	<u>250,000</u>	<u>7,313</u>	<u>257,313</u>
Total	<u>\$ 3,070,000</u>	<u>\$ 2,243,559</u>	<u>\$ 5,313,559</u>

NOTE 9: CAPITAL LEASES

The District has entered into a capitalized lease for a pizza oven. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease interest payments are reflected as interest expense in the combined financial statements for the proprietary fund types.

Enterprise fixed assets consisting of a pizza oven has been capitalized in the food service fund in the amount of \$32,735. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the food service fund. Principal payments in fiscal year 2002 totaled \$9,958 in the enterprise funds.

The following is a schedule of future long-term minimum lease payments required under the capital lease together with the present value of the minimum lease payments as of June 30, 2002:

Fiscal year ending June 30, 2003	\$ 4,979
Less: Amount representing interest	<u>(218)</u>
Present value of net minimum lease payments	<u>\$ 4,761</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 10: PROPERTY TAXES

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the District. The Wayne County Auditor is responsible for assessing and remitting these property taxes to the District.

Real property taxes are based on assessed value equal to 35 percent of appraisal value. The Wayne County Auditor reappraises real property every six years with a triennial update, the last update for Wayne County was done in 2000. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate 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 \$46.60 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was \$26.39 per \$1,000 of assessed valuation for residential and agricultural real property, and \$38.95 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 2001 was \$46.60 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. 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 is recognized as revenue. The amount available to the District as an advance at June 30, 2002, was \$550,000.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 11: DEFINED BENEFIT 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 public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 5.46% was the portion to fund pension obligations. For fiscal year 2001, 4.2% was used to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for fiscal years ended June 30, 2002, 2001 and 2000 were \$289,200, \$307,392 and \$285,636, respectively. 50% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$144,600, representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds and the general long-term obligation 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 financial report that includes general purpose financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$920,016, \$914,280 and \$903,156, respectively; 83% has been contributed for fiscal year 2002 and 100% for fiscal years 2001 and 2000. \$153,336, representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 11: DEFINED BENEFIT PENSION PLANS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

NOTE 12: POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$306,821 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001 (the latest information available), the balance in the fund was \$3.256 billion. For the year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 years or more fiscal years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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 the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54% of covered payroll, a decrease from 9.80% for fiscal year 2001. 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 year 2002, the minimum pay was established at \$12,400. For the District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$187,480.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150% of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001 (the latest information possible), SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 13: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$52,952.

NOTE 14: INTERFUND ACTIVITY

As of June 30, 2002, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Funds</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 8,215	\$ 0
Special Revenue Funds:		
Career Education	0	810
Summer Intervention	0	105
Alternative Education Grant	0	2,350
Title II – Eisenhower – 2000-2001	0	900
Title VI Grant – 2001-2002	<u>0</u>	<u>4,050</u>
Total all funds	<u>\$ 8,215</u>	<u>\$ 8,215</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 15: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	Textbook Reserve	Capital Acquisition	BWC Refund	Totals
Set-aside balance as of June 30, 2001	\$ (50,306)	\$ 0	\$ 65,663	\$ 15,357
Current year set-aside requirement	236,999	236,999	0	473,998
Current year offsets	0	(862,003)	0	(862,003)
Current year qualifying disbursements	(426,304)	(62,959)	0	(489,263)
Total	\$ (239,611)	\$ (687,963)	\$ 65,663	\$ (861,911)
Set-aside balance carried forward to FY 2003	\$ (239,611)	\$ 0	\$ 65,663	
Cash balance carried forward to FY 2003	\$ 0	\$ 0	\$ 65,663	

Effective April 10, 2001, the Ohio legislature passed Am. Sub. Senate Bill 345, that addressed H.B. 412 set-aside requirements. The requirement for establishment of a budget reserve set-aside has been deleted from the law. A district may still establish a reserve, if it so chooses; however, the requirement is no longer mandatory. Monies in the budget reserve set-aside as of April 10, 2001 are classified in two categories: (1) Bureau of Workers' Compensation (BWC) refunds and (2) the balance of the reserve which does not represent BWC refunds. The statute includes specific purposes for which the monies representing BWC refunds can be used. As of June 30, 2002, the District has not taken any action regarding the BWC refund.

The District had qualifying disbursements during the year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements for future years.

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set-aside amount below zero, this extra amount may not be used to reduce the set-aside requirement for future years.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refund	<u>\$ 65,663</u>
----------------------------------	------------------

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 16: CONTRACTUAL COMMITMENTS

As of June 30, 2002, the District had contractual commitments for the summer roofing project:

	<u>Contractual Commitment</u>	<u>Cash Disbursed</u>	<u>Balance 6/30/02</u>
McConkey Construction	\$ 141,000	\$ 75,300	\$ 65,700

NOTE 17: RELATED ORGANIZATION

The Orrville Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 2002. In 1997 the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$3,300,000. The electors of the District approved the levy. See Note 8 for additional disclosures regarding the bond issue.

NOTE 18: DEFICIT BALANCE/RETAINED EARNINGS

	<u>Deficit Balance</u>
General Fund	<u>\$594,103</u>
<u>Internal Service Fund</u>	
Self-Insurance Fund	<u>\$201,269</u>

These deficits, caused by the application of GAAP, mainly accrued wages and benefits and claims payable, will be funded by anticipated future intergovernmental revenues or other subsidies and insurance premiums not recognized and recorded at June 30. The General Fund provides transfers for deficit balances; however, transfers are made when cash is needed rather than when accruals occur. These funds complied with state statute which does not allow for a negative cash balance at year-end.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 19: SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains enterprise funds to account for the operation of school food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	<u>Food Services</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 352,964	\$ 490	\$ 353,454
Operating expenses:			
Salaries	233,049	413	233,462
Fringe Benefits	94,877	59	94,936
Purchased Services	9,939	142	10,081
Materials and Supplies	261,484	0	261,484
Depreciation	<u>5,116</u>	<u>0</u>	<u>5,116</u>
Total operating expenses	<u>604,465</u>	<u>614</u>	<u>605,079</u>
Operating loss	(251,501)	(124)	(251,625)
Non-operating revenues, net	<u>275,832</u>	<u>0</u>	<u>275,832</u>
Net income (loss)	<u>\$ 24,331</u>	<u>\$ (124)</u>	<u>\$ 24,207</u>
Other information:			
Net working capital	\$ 102,503	\$ 1,411	\$ 103,914
Fixed assets, net	52,122	0	52,122
Total assets	226,981	1,411	228,392
Total equity	119,008	1,411	120,419
Encumbrances at June 30, 2002	6,134	0	6,134

NOTE 20: RISK MANAGEMENT

A. General Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has a comprehensive property and casualty policy. The deductible is \$500 per incident on property and \$100 per incident on equipment. All vehicles are also insured with a \$250 deductible. All board members, administrators, and employees are covered under a school district education liability policy. The limits of this coverage are \$2,000,000 per occurrence and \$5,000,000 per aggregate.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 20: RISK MANAGEMENT (Continued)

B. Fidelity Bond

The treasurer is covered under a surety bond in the amount of \$20,000. The board president and superintendent each have \$20,000 position bonds.

C. Workers' Compensation

The District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. The District is a member of the Ohio School Board Association Group Rating System, an insurance purchasing pool. This rate is calculated based on accident history and administrative costs. The group presently consists of over 400 school districts.

D. Employee Health Insurance

The District had health insurance coverage through Medical Mutual Insurance up to November 30, 2001.

On December 1, 2001, the District became self-insured for its medical program. The administrator of the self-insurance plan is Benefit Services, Inc. Premiums are paid into the self-insurance fund and are available to pay claims and administrative costs. A stop-loss insurance contract with a private insurance carrier covers specific liability claims in excess of \$40,000 per covered individual. The claims liability of \$279,773 reported in the Internal Service Fund at June 30, 2002 is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, to be reported.

Changes in the fund's claims liability for the fiscal year 2002 are as follows:

	<u>Balance at Beginning Year</u>	<u>Claims</u>	<u>Payments</u>	<u>Balance at End of Year</u>
2002	\$ <u>0</u>	\$ <u>860,179</u>	\$ <u>580,406</u>	\$ <u>279,773</u>

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

NOTE 21: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 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 TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Tri-County Educational Service Center, which serves as fiscal agent, located at 741 Winkler Drive, Wooster, Ohio. During the year ended June 30, 2002, the District paid approximately \$29,325 to TCCSA for basic service charges.

B. Wayne County Career Center

The Career Center, a joint vocational school, is a jointly governed organization providing vocational services to its ten member school districts. The Career Center is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Career Center and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Career Center is not dependent on the District's continued participation and no equity interest exists.

NOTE 22: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is not party to any claims or lawsuits that would, in the District's opinion, have a material effect of the general purpose financial statements.

ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2002
(Continued)

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 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 on its future State funding and its financial operations.

This page intentionally left blank.

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Donation	N/A	10.550		\$53,763		\$52,952
School Breakfast Program	N/A	10.553	\$26,053		\$26,053	
National School Lunch Program	N/A	10.555	159,083		159,083	
Special Milk Program for Children	N/A	10.556	2,867		2,867	
Total U.S. Department of Agriculture - Child Nutrition Cluster			188,003	53,763	188,003	52,952
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through the Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1-S1-2001 C1-S1-2002	84.010	343,219		51,116 281,844	
Total Title I Grants to Local Educational Agencies			343,219		332,960	
Special Education: Grants to States	6B-SF-2001 P 6B-SF-2002 P	84.027	14,202 163,278		21,685 158,309	
Total Special Education : Grants to States			177,480		179,994	
Class Size Reduction	CR-S1-2001 CR-S1-2002	84.340	13,736 58,460		18,514 35,572	
Total Class Size Reduction			72,196		54,086	
Fund for the Improvement of Education	P1-S1-2000 P1-S1-2001 P1-S1-2002	84.215			1,697 5,706	
Total Fund for the Improvement of Education			13,125		7,403	
Eisenhower Professional Development State Grants	MS-S1-2000 MS-S1-2001 MS-S1-2002	84.281			2,848 7,133 7,689	
Total Eisenhower Professional Development State Grants			11,455		17,670	
Safe and Drug-Free Schools and Communities: State Grants	DR-S1-2000 DR-S1-2001 DR-S1-2002	84.186	2,573 6,619		1,843 3,866 3,096	
Total Safe and Drug-Free Schools and Communities: State Grants			9,192		8,805	
Innovative Education Program Strategies	C2-SA-02	84.298	6,042		4,276	
Total U.S. Department of Education			632,709		605,194	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program	N/A	93.778	13,954		13,954	
U.S. DEPARTMENT OF LABOR						
<i>Passed Through the Ohio Department of Education:</i>						
School to Work	WKBE-1997 WKBE-2000	17.249	36,204		1,168 52,728	
Total U.S. Department of Labor			36,204		53,896	
Totals			\$870,870	\$53,763	\$861,047	\$52,952

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

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002 the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

We have audited the general purpose financial statements of the Orrville City School District, Wayne County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 15, 2003. 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 certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 15, 2003.

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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2002-10985-001.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above to be a material weakness.

We also 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 January 15, 2003.

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 15, 2003



**Auditor of State
Betty Montgomery**

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

Orrville City School District
Wayne County
815 North Ella Street
Orrville, Ohio 44667

To the Board of Education:

Compliance

We have audited the compliance of the Orrville City School District, Wayne 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 programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs 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 programs 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.

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.



Betty Montgomery
Auditor of State

January 15, 2003

**ORRVILLE CITY SCHOOL DISTRICT
WAYNE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<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)?	Yes
<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):	Child Nutrition Cluster: CFDA #10.550 – Food Donation CFDA#10.553 – School Breakfast Program CFDA#10.555 – National School Lunch Program CFDA#10.556 – Special Milk Program for Children
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

Reportable Condition

FINDING NUMBER 2002-10985-001

Fixed Assets

The following issues were noted during our testing of fixed assets:

- The District did not maintain a complete and accurate master listing of fixed assets. Additions and disposals were not always posted timely.
- Although the District's master listing of fixed assets assigned tag numbers to individual assets, fixed asset tags were not used by the District. As a result, assets could not be readily located. This increases the risk that the District may lose accountability over their fixed assets.
- Depreciation expense was calculated using the total book value of the Enterprise Fund fixed assets which included assets that were already fully depreciated.

We recommend that the District implement a fixed asset policy to help improve overall accountability of District assets. The policy should address the following:

- The tagging of all assets and the procedures for verifying the location and tag number of each asset on a periodic basis.
- The procedures for recording fixed asset acquisitions and disposals or transfer of fixed assets. This will help ensure that fixed assets are properly accounted for and not overstated or understated.
- The tracking of depreciable fixed assets. This will help ensure that only depreciable items are being depreciated.

Further, we recommend that the District perform a detail inventory of fixed assets or consider hiring an independent consultant to assist with the inventory or possible reappraisal of all District assets to help ensure fixed assets are accounted for properly.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

ORRVILLE CITY SCHOOL DISTRICT

WAYNE 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
FEBRUARY 13, 2003**