



**Auditor of State  
Betty Montgomery**



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Oregon City School District, Lucas County, (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 Oregon City School District, Lucas County, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and non expendable trust funds 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 May 13, 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.

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

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

**Betty Montgomery**  
Auditor of State

May 13, 2003

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS JUNE 30, 2002**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$7,770,541	\$579,330	\$606,922
Receivables:			
Taxes	19,990,284		630,100
Accounts	15,346	10,305	
Intergovernmental		548,031	60,076
Interfund Receivable	272,659		
Prepaid Items	209,898		
Materials and Supplies Inventory			
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	201,560		
Fixed Assets (net of accumulated depreciation where applicable)			
<b>Other Debits:</b>			
Amount to be Provided From General Government Resources			
	<b>\$28,460,288</b>	<b>\$1,137,666</b>	<b>\$1,297,098</b>
<b>Total Assets and Other Debits</b>	<b>\$28,460,288</b>	<b>\$1,137,666</b>	<b>\$1,297,098</b>



<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>	
\$175,879	\$6,972	\$511,761			\$9,651,405
					20,620,384
325		2,592			28,568
32,160					640,267
		21,356			294,015
					209,898
32,451					32,451
					201,560
175,800			\$21,386,490		21,562,290
				\$3,823,707	3,823,707
<u>\$416,615</u>	<u>\$6,972</u>	<u>\$535,709</u>	<u>\$21,386,490</u>	<u>\$3,823,707</u>	<u>\$57,064,545</u>

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
AS JUNE 30, 2002  
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Capital Projects
<b>LIABILITIES, FUND EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts Payable	\$222,177	\$36,052	\$49,758
Accrued Wages and Benefits	2,342,898	26,805	
Compensated Absences Payable	39,405		
Interfund Payable		278,659	
Intergovernmental Payable	467,210		
Deferred Revenue	19,990,284	422,918	630,100
Due to Students			
Notes Payable			550,000
Energy Conservation Loan Payable			
Total Liabilities	23,061,974	764,434	1,229,858
<b>Fund Equity and Other Credits:</b>			
Investment in General Fixed Assets			
Retained Earnings:			
Unreserved			
Fund Balances:			
Reserved for Encumbrances	174,231	33,270	58,673
Reserved for Endowments			
Reserved for Prepaid Items	209,898		
Reserved for Budget Stabilization	201,560		
Unreserved, Undesignated	4,812,625	339,962	8,567
Total Fund Equity and Other Credits	5,398,314	373,232	67,240
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$28,460,288</b>	<b>\$1,137,666</b>	<b>\$1,297,098</b>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$7,024		\$11,179			\$326,190
27,880					2,397,583
943				\$2,795,121	2,835,469
	\$13,910	1,446			294,015
40,220				213,586	721,016
17,829					21,061,131
		180,684			180,684
					550,000
				815,000	815,000
<u>93,896</u>	<u>13,910</u>	<u>193,309</u>		<u>3,823,707</u>	<u>29,181,088</u>
			\$21,386,490		21,386,490
322,719	(6,938)				315,781
		235,963			266,174
					235,963
					209,898
		106,437			201,560
					5,267,591
<u>322,719</u>	<u>(6,938)</u>	<u>342,400</u>	<u>21,386,490</u>		<u>27,883,457</u>
<u><b>\$416,615</b></u>	<u><b>\$6,972</b></u>	<u><b>\$535,709</b></u>	<u><b>\$21,386,490</b></u>	<u><b>\$3,823,707</b></u>	<u><b>\$57,064,545</b></u>

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Intergovernmental	\$9,627,955	\$1,073,181
Interest	309,554	3,423
Tuition and Fees	375,640	280,030
Rent	21,119	
Extracurricular Activities	2,695	165,946
Gifts and Donations	8,132	
Revenue in Lieu of Taxes	1,501,270	
Customer Services	11,618	
Property and Other Local Taxes	17,692,152	
Miscellaneous	6,446	
Total Revenues	29,556,581	1,522,580
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	11,532,266	143,993
Special	2,430,751	291,089
Vocational	2,997,669	32,333
Adult/Continuing	109,519	277,594
Other	1,315,750	
Support Services:		
Pupils	1,212,638	256,522
Instructional Staff	1,711,250	156,467
Board of Education	23,312	
Administration	1,766,819	155,229
Fiscal	536,367	
Business	209,985	
Operation and Maintenance of Plant	3,558,749	
Pupil Transportation	1,685,220	
Central		12
Non-Instructional Services		180,772
Extracurricular activities	441,199	215,970
Capital Outlay		
Debt Service:		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	29,531,494	1,709,981
Excess of Revenues Over (Under) Expenditures	25,087	(187,401)
<b>Other Financing Sources and (Uses)</b>		
Transfers Out	(187,840)	
Transfers In		
Refund of Prior Year Expenditures	229,336	
Total Other Financing Sources (Uses)	41,496	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	66,583	(187,401)
Fund Balance at Beginning of Year	5,331,731	560,633
<b>Fund Balance at End of Year</b>	<b>\$5,398,314</b>	<b>\$373,232</b>

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

Governmental Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
	\$88,514		\$10,789,650
	18,510	\$4,756	336,243
			655,670
		4,483	25,602
			168,641
		28,714	36,846
	63,694		1,564,964
	541,953		11,618
			18,234,105
			6,446
	<u>712,671</u>	<u>37,953</u>	<u>31,829,785</u>
	275	41,027	11,717,561
			2,721,840
			3,030,002
			387,113
			1,315,750
			1,469,160
	59,233		1,926,950
			23,312
			1,922,048
	7,277		543,644
			209,985
			3,558,749
	157,529		1,842,749
		5,329	5,341
		3,000	183,772
			657,169
	385,775		385,775
140,000			140,000
<u>47,840</u>	<u>34,719</u>		<u>82,559</u>
<u>187,840</u>	<u>644,808</u>	<u>49,356</u>	<u>32,123,479</u>
<u>(187,840)</u>	<u>67,863</u>	<u>(11,403)</u>	<u>(293,694)</u>
			(187,840)
187,840			187,840
			229,336
<u>187,840</u>			<u>229,336</u>
	67,863	(11,403)	(64,358)
	(623)	88,985	5,980,726
	<u>\$67,240</u>	<u>\$77,582</u>	<u>\$5,916,368</u>

OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	Governmental Fund Types		
	General		
	Budget	Actual	Variance: Favorable (Unfavorable)
Total Revenues	\$29,855,350	\$31,741,367	\$1,886,017
Total Expenditures	37,222,310	31,207,046	6,015,264
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(7,366,960)	534,321	7,901,281
Fund Balances at Beginning of Year	6,719,837	6,719,837	
Prior Year Encumbrances Appropriated	344,956	344,956	
<b>Fund Balance at end of Year</b>	<b>(\$302,167)</b>	<b>\$7,599,114</b>	<b>\$7,901,281</b>

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

**Governmental Fund Types**

<b>Special Revenue</b>			<b>Capital Projects</b>		
<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$2,024,828	\$1,953,490	(\$71,338)	\$700,000	\$713,343	\$13,343
2,678,136	2,069,627	608,509	1,473,176	987,633	485,543
(653,308)	(116,137)	537,171	(773,176)	(274,290)	498,886
548,517	548,517		533,599	533,599	
87,847	87,847		239,577	239,577	
<b>(\$16,944)</b>	<b>\$520,227</b>	<b>\$537,171</b>		<b>\$498,886</b>	<b>\$498,886</b>

(Continued)

OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

	Fiduciary Fund Type		
	Expendable Trust		
	Budget	Actual	Variance: Favorable (Unfavorable)
Total Revenues	\$41,995	\$41,652	(\$343)
Total Expenditures	128,727	49,356	79,371
Excess of Revenue and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(86,732)	(7,704)	79,028
Fund Balances at Beginning of Year	86,504	86,504	
Prior Year Encumbrances Appropriated	228	228	
<b>Fund Balance at end of Year</b>	<b>\$79,028</b>	<b>\$79,028</b>	<b>\$79,028</b>

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



**Totals (Memorandum Only)**

<b>Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
\$32,622,173	\$34,449,852	\$1,827,679
\$41,502,349	\$34,313,662	\$7,188,687
(8,880,176)	136,190	9,016,366
7,888,457	7,888,457	
672,608	672,608	
<b>(\$319,111)</b>	<b>\$8,697,255</b>	<b>\$9,016,366</b>

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Operating Revenues:</b>				
Sales	\$785,402			\$785,402
Charges for Services		\$5,450		5,450
Interest				
Other Revenues		6,461		6,461
Total Operating Revenues	<u>785,402</u>	<u>11,911</u>		<u>797,313</u>
<b>Operating Expenses</b>				
Salaries	399,790	4,801		404,591
Fringe Benefits	195,088	54		195,142
Purchased Services	2,771	6,145		8,916
Materials and Supplies	512,343	4,826		517,169
Depreciation	14,168			14,168
Other			11,245	11,245
Total Operating Expenses	<u>1,124,160</u>	<u>15,826</u>	<u>11,245</u>	<u>1,151,231</u>
Operating Loss	<u>(338,758)</u>	<u>(3,915)</u>	<u>(11,245)</u>	<u>(353,918)</u>
<b>Non-Operating Revenues and Expenses</b>				
Federal Donated Commodities	105,656			105,656
Interest	1,850		4,287	6,137
Federal and State Subsidies	227,248			227,248
Other	515			515
Total Non-Operating Revenues and Expenses	<u>335,269</u>		<u>4,287</u>	<u>339,556</u>
Net Loss	(3,489)	(3,915)	(6,958)	(14,362)
Restated Retained Earnings/ Fund Balances at Beginning of Year	<u>326,208</u>	<u>(3,023)</u>	<u>271,776</u>	<u>594,961</u>
<b>Retained Earnings/Fund Balances at End of Year</b>	<u><b>\$322,719</b></u>	<u><b>(\$6,938)</b></u>	<u><b>\$264,818</b></u>	<u><b>\$580,599</b></u>

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>				
Cash Flows from Operating Activities:				
Cash Received from Sales	\$785,709			\$785,709
Cash Received from Charges for Services		\$5,450		5,450
Other Cash Receipts		6,461		6,461
Cash Payments to Suppliers for				
Goods and Service	(405,009)	(4,826)		(409,835)
Cash Payments for Contract Services	(2,771)	(6,390)		(9,161)
Cash Payments for Employee Services	(407,043)	(4,847)		(411,890)
Cash Payments for Employee Benefits	(165,720)	(54)		(165,774)
Other Cash Payments			(\$10,210)	(10,210)
Net Cash Used by Operating Activities	<u>(194,834)</u>	<u>(4,206)</u>	<u>(10,210)</u>	<u>(209,250)</u>
Cash Flows from Noncapital Financing Activities:				
Operating Grants Received	195,088			195,088
Advances In		13,910		13,910
Advances Out		(5,682)		(5,682)
Other	515			515
Net Cash Provided by Noncapital Financing Activities	<u>195,603</u>	<u>8,228</u>		<u>203,831</u>
Cash Flows from Investing Activities:				
Interest Received	1,850		8,214	10,064
Net Cash Provided by Investing Activities	<u>1,850</u>		<u>8,214</u>	<u>10,064</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,619	4,022	(1,996)	4,645
Cash and Cash Equivalents at Beginning of Year	<u>173,260</u>	<u>2,950</u>	<u>267,849</u>	<u>444,059</u>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>\$175,879</u></b>	<b><u>\$6,972</u></b>	<b><u>\$265,853</u></b>	<b><u>\$448,704</u></b>

(Continued)

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002  
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
<b>Reconciliation of Operating Loss to Net Cash Used by Operating Activities:</b>				
Operating Loss	(\$338,758)	(\$3,915)	(\$11,245)	(\$353,918)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation	14,168			14,168
Donated Commodities Used During the Year	105,656			105,656
(Increase) Decrease in Assets:				
Accounts Receivable	129			129
Intergovernmental Receivable	178			178
Material and Supplies Inventory	(2,266)			(2,266)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	(3,828)			(3,828)
Intergovernmental Payable	8,003			8,003
Deferred Revenue	(3,080)			(3,080)
Accrued Wages and Benefits	17,940	(46)		17,894
Accounts Payable	7,024	(245)	1,035	7,814
Total Adjustments	143,924	(291)	1,035	144,668
<b>Net Cash Used by Operating Activities</b>	<b><u>(\$194,834)</u></b>	<b><u>(\$4,206)</u></b>	<b><u>(\$10,210)</u></b>	<b><u>(\$209,250)</u></b>

**Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:**

Cash and Cash Equivalents - Trust and Agency Funds	\$511,761
Less: Expendable Trust Funds	(81,558)
Less: Agency Funds	(164,350)
<b>Cash and Cash Equivalents - Nonexpendable Trust Funds</b>	<b><u>\$265,853</u></b>

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

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

The District currently operates 4 elementary schools, 2 middle schools, and 1 comprehensive high school. The District employs 173 non-certified, 310 (including administrative) full-time and part-time employees to provide services to approximately 3,766 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure 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 organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide 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 for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

The City of Oregon

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

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Non-Public School

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

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association (NWOCA)

The District is a participant in the Northwest Ohio Computer Association (NWOCA), which is a jointly governed computer consortium. NWOCA serves forty public education entities and over fifty non-public education entities in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. NWOCA is owned and operated by the Northern Buckeye Education Council (NBEC). NWOCA and NBEC provide data processing services, student services and educational technology services to the member school districts. Financial information can be obtained from NWOCA, Duane Baker, Executive Director, 22900 State Route 34, Archbold, Ohio 43502. The District paid NWOCA \$137,838 in fiscal year 2002.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred in accordance with applicable Ohio statute.

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 expenditures for specified purposes.

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

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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 and trust funds).

**PROPRIETARY FUNDS**

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types.

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

Internal Service Fund - The internal service fund is used to account for financing of goods and services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

**FIDUCIARY FUNDS**

Trust and Agency Funds - These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, non-expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations, or have a measurement focus.

**ACCOUNT GROUPS**

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

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

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

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current

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assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust Funds and agency funds. The Proprietary Funds and Nonexpendable Trust Funds follow the full 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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are 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



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accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2002 is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Lucas County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control (State statute permits a temporary appropriation to be effective until no later than October 1 of each year). Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds, other than Agency funds, consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting.

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including Proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet. During 2002, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements are valued at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2002. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Under existing Ohio statutes all investment earnings are assigned to the General fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General fund during fiscal year 2002 totaled \$309,554. Of that amount, \$34,051 was the amount allocated by other funds.

An analysis of the Treasurer's investment account at year-end is provided in Note 4.

**F. Inventory**

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

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**G. Prepays**

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

**H. Fixed Assets and Depreciation**

**1. General Fixed Assets Account Group**

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than five years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District has not included infrastructure in the General Fixed Asset Account Group.

**2. Proprietary Funds**

Equipment reflected in these funds is stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of five to twenty years.

**I. Intergovernmental Revenues**

In Governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for Proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

**Entitlements**

General Fund  
State Foundation Program

**Non-Reimbursable Grants**

Special Revenue Funds  
Career Development Grant  
Title I  
Title VI  
Title VI B  
Drug-Free Schools

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**Reimbursable Grants**

General Fund

School Bus Purchases  
Driver Education

Special Revenue Funds

Vocational Education Equipment Fund

Capital Project Funds

School Net

Proprietary

National School Lunch Program  
National School Breakfast Program  
Government Donated Commodities

**J. Payments in Lieu of Taxes**

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

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, the District records a liability for accumulated unused sick leave for both the classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The

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balance of the liability is recorded in the General Long-Term Obligations Account Group. In Proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**L. Long-Term Obligations**

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

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

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, budget stabilization and endowments. The unreserved portions of fund equity reflected for the Governmental funds are available for use within the specific purposes of those funds.

**N. Statement of Cash Flows**

In September 1989, the Governmental Accounting Standards Board issued statement No. 9, *"Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting"*. The District has presented a statement of cash flows for its Proprietary Fund Types and Nonexpendable Trust funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**O. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB No. 20, *"Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting"*. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**P. Estimates**

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

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**Q. Restricted Assets**

Restricted assets in the General fund represent cash and cash equivalents set aside to establish the budget stabilization reserve. This reserve is required by State statute and can only be used for certain purposes.

**R. Interfund Receivables/ Payables**

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

**S. Interfund Transactions**

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

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

**T. Memorandum Only - Total Columns**

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

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A.** At June 30, 2002, the following funds had deficit fund balances, which were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

	Deficit
<u>Special Revenue Funds</u>	
Auxiliary Services	\$2,080
Professional Development	2,316
Adult Education	6,699
Title VI-B	23,226
Title VI	35,691
Title VI-R	50,581
Miscellaneous Federal Grants	997
<u>Internal Service Fund</u>	
Rotary	6,938

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- B.** Appropriations exceeded estimated resources in the general and special revenue fund type, contrary to the Ohio Revised Code.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits and Cash on Hand: At year-end the carrying amount of the District's deposits was \$(663,822) and the bank balance was \$136,525. All of the bank balance was covered by federal depository insurance. The District also had cash on hand of \$6,362.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The School District had investments in non-participating repurchase agreements which are classified as Category 3.

	Risk Category 3	Carrying Value	Fair Value
Repurchase Agreements Not subject to categorization:	\$851,595	\$851,595	\$851,595
Investment in STAR Ohio		9,658,830	9,658,830
<b>Total investments</b>	<b>\$851,595</b>	<b>\$10,510,425</b>	<b>\$10,510,425</b>

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



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

	Cash and Cash Equivalents	Investments
GASB Statement No. 9	\$9,852,965	
Repurchase Agreements	(851,595)	\$851,595
Investments of the cash management pool:		
Investment in STAR Ohio	(9,658,830)	9,658,830
Cash on hand	(6,362)	
GASB Statement No. 3	(\$663,822)	\$10,510,425

**NOTE 5 - INTERFUND TRANSACTIONS**

Interfund balances at June 30, 2002 consist of the following individual interfund loans receivable and payable:

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$272,659	
Special Revenue Funds		278,659
Internal Service		13,910
Trust and Agency	21,356	1,446
Total	\$294,015	\$294,015

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35 percent of market value and personal property is assessed at 100 percent of market value except for the personal property of rural electric companies, which is assessed at 50 percent of market, and railroads, which are assessed at 29 percent.

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

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The Lucas County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2002 consisted of taxes, accounts (rent, billings for user charged services, and student fees), 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 fiscal year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes	\$19,990,284
Accounts	15,346
 <u>Special Revenue Fund</u>	
Accounts	10,305
Intergovernmental	548,031
 <u>Capital Projects Fund</u>	
Taxes	630,100
Intergovernmental	60,076
 <u>Enterprise Fund</u>	
Accounts	325
Intergovernmental	32,160
 <u>Trust and Agency Fund</u>	
Accounts	2,592

**NOTE 8 - FIXED ASSETS**

A summary of the changes in the general fixed assets account group during the fiscal year follows:

	<u>Balance 7/1/01</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/02</u>
Land and Improvements	\$344,910	152,345		\$497,255
Buildings and Improvements	14,338,046		1,998,071	12,339,975
Furniture and equipment	4,449,540	1,893,444	\$7,485	6,335,499
Vehicles	2,756,585	218,155	760,979	2,213,761
<b>Total</b>	<b>\$21,889,081</b>	<b>\$2,263,944</b>	<b>\$2,766,535</b>	<b>\$21,386,490</b>

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

A summary of the proprietary fixed assets at June 30, 2002 follows:

Furniture and equipment	\$665,065
Less: accumulated depreciation	<u>489,265</u>
Net fixed assets	<u><u>\$175,800</u></u>

**NOTE 9 - LONG-TERM OBLIGATIONS**

A. During the year ended June 30, 2002, the following changes occurred in liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund from which the employee is paid.

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
Compensated absences	\$1,541,615	\$1,253,506		\$2,795,121
Intergovernmental payable	186,522	\$27,064		213,586
Energy conservation loans	740,000		90,000	650,000
Energy conservation loans	215,000		50,000	165,000
Total	<u><u>\$2,683,137</u></u>	<u><u>\$1,280,570</u></u>	<u><u>\$140,000</u></u>	<u><u>\$3,823,707</u></u>

Capital Project Fund Liability

	Balance 7/1/01	Increase	Decrease	Balance 6/30/02
School Improvement Tax Anticipation Note	<u><u>\$825,000</u></u>		<u><u>\$275,000</u></u>	<u><u>\$550,000</u></u>

School Improvement Tax Anticipation Notes - On August 1, 2000, the District issued \$825,000 in voted general obligation notes for the purpose of renovating, rehabilitation, adding to, acquiring, furnishing, equipping and otherwise improving school facilities and sites. The notes will be retired from and are included as a liability to the capital projects fund.

Compensated absences and the pension obligation will be paid from the fund from which the employees' salaries are paid.

During fiscal year 1994 and 1998, energy conservation loans were established under the rules of H.B. 264. The 1994 loan had an interest rate of 5.9 percent while the 1998 loan was at 4.95 percent with semi-annual payments of principal and interest. Proceeds of these loans were used to make energy improvements to all buildings of the District.

B. The following is a schedule of the future debt service requirements to retire the general obligation debt, including notes outstanding:

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

<u>Fiscal Year Ended June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$420,000	\$61,266	\$481,266
2004	430,000	39,579	469,579
2005	165,000	24,293	189,293
2006	110,000	17,325	127,325
2007	115,000	11,880	126,880
2008	125,000	6,187	131,187
Total	<u>\$1,365,000</u>	<u>\$160,530</u>	<u>\$1,525,530</u>

**C. Legal Debt Margin**

The Ohio Revised Code provides that the total net indebtedness of a school district shall never exceed 9 percent of the total assessed valuation of the district. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the district. The code further provides that unvoted indebtedness for energy conservation measures shall not exceed 9/10 of 1 percent of the property valuation of the District. The effects of these debt limitations for the District at June 30, 2002 are a voted debt margin of \$52,365,386 and an unvoted debt margin of \$587,949.

**NOTE 10 - RISK MANAGEMENT**

**A. Comprehensive**

The District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90 percent coinsured.

**B. Health Insurance**

The District has joined together with other school districts in the area to form the San-Ott Schools Employee Welfare Benefit Association, whose purpose is to provide health coverage and benefits to and for the eligible employees of Association members and their dependents. The District pays premiums to the Association based upon the benefits structure selected. The Association Trust Agreement provides that the Association will be self-sustaining through member premiums and will reinsure through commercial companies for specific claims in excess of \$100,000 and aggregate claims in excess of 120 percent of expected claims.

**NOTE 11 - SEGMENT INFORMATION - ENTERPRISE FUND**

The District maintains two Enterprise funds to account for the operations of Food Services and Uniform School Supplies. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the year ended June 30, 2002.

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$785,402		\$785,402
Depreciation Expense	14,168		14,168
Operating Income (Loss)	(338,758)		(338,758)
Donated Commodities	105,656		105,656
Interest	1,850		1,850
Grants	227,248		227,248
Other	515		515
Net Income (Loss)	(3,489)		(3,489)
Net Working Capital	164,668	\$80	164,748
Total Assets	416,535	80	416,615
Total Liabilities	93,896		93,896
Total Equity	322,639	80	322,719

**NOTE 12 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2002; 5.46 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$619,248, \$582,576, and \$541,657, respectively; 50 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$307,248, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered 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 financial statements and required supplementary information for STRS. The report may

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

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 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$2,188,980, \$2,088,095 and \$1,982,072, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$374,948, which represents the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$698,419 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and 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 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent 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 has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$433,474 during the 2002 fiscal year.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- b. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- c. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for Governmental funds (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

	Excess of Revenues and Other Financing Sources Over/ (Under) Expenditures and Other Financing Uses			
	Governmental Fund Types			
	General	Special	Capital	Expendable
	Fund	Revenue Funds	Projects Fund	Trust Fund
Budget basis	\$534,321	(\$116,137)	(\$274,290)	(\$7,704)
Net adjustment for revenue accruals	(2,143,290)	(430,910)	(672)	(3,699)
Net adjustment for expenditure accruals	1,302,565	300,545	234,790	(2,530)
Adjustment for encumbrances	372,987	59,101	108,035	2,530
GAAP basis	\$66,583	(\$187,401)	\$67,863	(\$11,403)

**NOTE 15 - CONTINGENCIES**

**A. Grants**

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

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

**B. Litigation**

The District is not party to any legal proceedings that would have a material effect on the financial condition of the District.

**C. School Funding Decision**

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

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by state law to annually set aside, in the general fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward and used for the same purposes in future years. In addition, in prior years the District was required to set aside money for budget stabilization.

During the fiscal year ended June 30, 2002, the reserve activity (cash basis) was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2001	(\$243,101)		\$201,560
Current Year Set-aside Requirement	465,555	\$465,555	
Qualifying Disbursements	<u>(249,224)</u>	<u>(465,555)</u>	
Total	<u>(\$26,770)</u>		<u>\$201,560</u>
Cash Balance Carried Forward to Future Years			<u>\$201,560</u>

For fiscal year 2002, only the unspent portion of certain workers compensation refunds was required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was returned to the general fund. The remaining portion of workers compensation refunds can only be spent for certain qualifying expenditures.

**NOTE 17 – CORRECTION OF ERROR AND RESTATEMENT OF PRIOR YEAR FUND EQUITY**

The District had items requiring restatement due to understating fixed assets in prior years.



**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2002  
(Continued)**

	<u>Enterprise</u>
Retained Earnings as Previously Reported	\$171,360
Fixed Assets	519,735
Accumulated Depreciation	<u>(364,887)</u>
Restated Retained Earnings at June 30, 2001	<u><u>\$326,208</u></u>

This restatement had the following effect on Net Income as previously reported for the year ended June 30, 2001:

	<u>Enterprise</u>
Net Income as Previously Reported	\$26,567
Effect of Change to Fixed Asset	<u>154,848</u>
Restated Net Income at June 30, 2001	<u><u>\$181,415</u></u>

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**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE PERIOD ENDED JUNE 30, 2002**

	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through Ohio Department of Education:</i>		
Child Nutrition Cluster:		
Food Donation	-	10.550
School Breakfast Program	-	10.553
National School Lunch Program	-	10.555
Total U.S. Department of Agriculture - Child Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>		
<i>Passed through Lucas County Department of Mental Retardation and Developmental Disabilities:</i>		
Medical Assistance Program	-	93.778
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>		
<i>Passed through Ohio Department of Education:</i>		
Title 1 Grants to Local Educational Agencies	C1-S1-01 C1-S1-02	84.010
Total Title 1		
Special Education_Grants to States	6B-SF-01 6B-SF-02	84.027
Total Title VI-B		
Vocational Education - Basic Grants to States	20-C1-01 20-A0-02	84.048
Total Vocational Education		
Safe and Drug-Free Schools and Communities - State Grants	DR-S1-02	84.186
Eisenhower Professional Development State Grants	MS-S1-00 MS-S1-01 MS-S1-02	84.281
Total Eisenhower Grant		
Innovative Education Program Strategies	C2-S1-00 C2-S1-01 C2-S1-02	84.298
Total Innovation Education		
Class Size Reduction	CR-S1-02	84.340
Goals 2000	G2-SP-01	84.276
Teacher Quality Enhancement Grants	QE-S1-02	84.336
School Renovation Grants	AT-S1-02	84.352A
Total U.S. Department of Education		
<b>UNITED STATES DEPARTMENT OF LABOR</b>		
<i>Passed through Ohio Department of Job and Family Services</i>		
<i>Passed through Lucas County Department of Job and Family Service</i>		
<i>Passed through Lucas County Economic and Workforce Development Department</i>		
WIA Youth Activities	-	17.259
<b>TOTAL FEDERAL ASSISTANCE</b>		

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

Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
	\$102,575		\$105,656
\$6,740		\$6,740	
179,614		179,614	
<b>186,354</b>	<b>102,575</b>	<b>186,354</b>	<b>105,656</b>
<b>40,636</b>		<b>40,636</b>	
231,265		20,362	
233,501		237,776	
464,766		258,138	
176,476		186,209	
87,247		99,493	
263,723		285,702	
48,575		41,404	
35,360		41,404	
83,935		41,404	
3,213		8,005	
11,206			
		7,867	
15,472		8,158	
26,678		16,025	
14,969		517	
		2,908	
6,077		19,219	
21,046		22,644	
22,769		73,350	
1,030		911	
15,000		10,508	
3,009		3,009	
<b>905,169</b>		<b>719,696</b>	
		<b>78,685</b>	
<b>\$1,132,159</b>	<b>\$102,575</b>	<b>\$1,025,371</b>	<b>\$105,656</b>

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2002, the District had \$17,829 in food commodities inventory.

**NOTE C - MATCHING REQUIREMENTS**

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

We have audited the financial statements of Oregon City School District, Lucas County, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated May 13, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated May 13, 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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2002-002 and 2002-003.

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 believe none of the reportable conditions described above is 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 management of the District in a separate letter dated May 13, 2003.

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



**Betty Montgomery**  
Auditor of State

May 13, 2003





## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

To the Board of Education:

#### Compliance

We have audited the compliance of Oregon City School District, Lucas County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of 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 program for the year ended June 30, 2002.

#### Internal Control over Compliance

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

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. A reportable condition is described in the accompanying schedule of findings as item 2002-004.

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. Our consideration of the internal control over compliance 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 believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated May 13, 2003.

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



**Betty Montgomery**  
Auditor of State

May 13, 2003

**OREGON CITY SCHOOL DISTRICT  
LUCAS COUNTY**

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

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	Yes
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510?</b>	Yes
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Child Nutrition Cluster CFDA 10.550, 10.553, 10.555
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	Yes

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

**FINDING NUMBER 2002-001**

Ohio Revised Code § 5705.39 states that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

**FINDING NUMBER 2002-001  
(Continued)**

Appropriations exceeded estimated resources for the Special Revenue Teacher Development Fund by \$23,100 and the General Fund by \$302,167. The appropriations that exceeded estimated resources in the General Fund were caused by the beginning fund balance that was reported on the Amended Certificate of Estimated Resources did not agree with the District's ledgers; thus inflating the total of estimated resources.

To prevent spending more monies than what are anticipated, we recommend the District ensure when passing an original appropriation or amending an appropriation that it is within estimated resources.

**FINDING NUMBER 2002-002**

**Reportable Condition - Fixed Asset Procedures**

An appraisal company was hired by the District to prepare an initial listing of the District's fixed assets at June 30, 2000. The company's report contained a listing of the fixed assets in the categories; building and improvements, equipment and vehicles. The vehicle listing did not include buses.

There is no listing of land and land improvements which support the figure that is presented on the financial statements.

Yearly, the District has reported additions and deletions to the appraisal company, however; not all of the additions or deletions were reported. Also, the appraisal company's report is a year behind; the report received at the end of FY02 has FY01 information posted. This reduces the accuracy/effectiveness of the fixed asset report.

The administrative assistant for business does review invoices and flags the invoices that should be added to the fixed asset listing. However, not all of the additions to fixed assets were being identified. Also, there is no procedure in place at the District level at year end to monitor fixed assets purchased through object codes 600 and 700 to ensure all the assets purchased get reported to the appraisal company. After the appraisal listing is updated, there is no procedure in place to ensure that the posting has been updated accurately.

The District did not report deletions in the past several years of vehicles, even though vehicles were being disposed of or traded in when new vehicles were being purchased.

In order to have an accurate and useable fixed asset listing, we recommend the following:

1. A listing of all land and land improvements be prepared to have an accurate listing of all land owned by the District and any improvements thereto that would back up the figure presented on the financial statements.
2. As part of the expenditure process, all vouchers be reviewed for fixed asset additions throughout the year. At year end, a review of the 600 and 700 object codes be made to determine if all assets purchased have been reported.
3. After the appraisal company updates the information for additions and deletions review this listing to ensure accuracy.

**FINDING NUMBER 2002-002**  
**(Continued)**

4. When the updated appraisal report is received, determine if the additions and deletions given to the appraisal company were accurately updated. If not, determine differences and contact the appraisal company for corrections.
5. Improve the timeliness of sending information to the appraisal company so the updated information can be received in a timely manner.
6. The land and land improvements and the buses should be included on the appraisal company's listing of fixed assets.

**FINDING NUMBER 2002-003**

**Reportable Condition - Budgetary Procedures**

The amount of appropriations and estimated revenue posted to the budgetary statements on the computer does not agree with the estimated revenue per the amended certificate or the approved budgetary appropriations. In order to have accurate information on the budgetary financial statements that are being used to review the status of the District's funds, we recommend that the governing board establish procedures to help ensure estimated revenue and appropriations posted to the ledgers agree with appropriate supporting documentation.

**3. FINDINGS FOR FEDERAL AWARDS**

<b>Finding Number</b>	2002-004
<b>CFDA Title and Number</b>	Child Nutrition Cluster CFDA #10.550, 10.553, and 10.555
<b>Federal Award Number / Year</b>	2002
<b>Federal Agency</b>	United States Department of Agriculture
<b>Pass-Through Agency</b>	Ohio Department of Education

**Reportable Condition - Free and Reduced Application Verification Process**

The verification process and specific documentation of the free and reduced applications is an important control of the eligibility process and is required by federal code of regulations. The District's verification process for the FY 2002 free and reduced applications showed missing documents and inadequate recordkeeping of this process by the District which could lead to ineligible students being given free or reduced meals.

We recommend an individual be appointed to review the verification procedures at each school to ensure it is being properly conducted and documented. The Food Service Director should obtain and review all the files when the process is completed to ensure the District is compliant with the federal requirements. The files should be maintained in compliance with the District's record retention policy.



**Auditor of State  
Betty Montgomery**

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**OREGON CITY SCHOOL DISTRICT**

**LUCAS COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 17, 2003**