

**ORRVILLE CITY  
SCHOOL DISTRICT**



**AUDITED GENERAL PURPOSE  
FINANCIAL STATEMENTS  
JUNE 30, 1999**

**ORRVILLE CITY  
SCHOOL DISTRICT**



**AUDITED GENERAL PURPOSE  
FINANCIAL STATEMENTS  
JUNE 30, 1999**

**ORRVILLE CITY SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**JUNE 30, 1999**

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditor's Report.....	1
Combined Balance Sheet - All Fund Types and Account Groups.....	2-3
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds .....	4-5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types.....	6-7
Combined Statement of Revenues, Expenses and Changes in Retained Earnings - All Proprietary Fund Types.....	8
Combined Statement of Cash Flows - All Proprietary Fund Types .....	9
Notes to the General Purpose Financial Statements .....	10-33
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards .....	34-35
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	36-37
Schedule of Federal Awards Expenditures .....	38
Notes to Schedule of Federal Awards Expenditures.....	39
Schedule of Findings & Questioned Costs.....	40-41



STATE OF OHIO  
OFFICE OF THE AUDITOR  
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

To the Board of Education  
Orrville City School District  
Orrville, Ohio 44667

We have reviewed the Independent Auditor's Report of the Orrville City School District, Wayne County, prepared by Rea & Associates, Inc., for the audit period July 1, 1998 to June 30, 1999. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Orrville City School District is responsible for compliance with these laws and regulations.

  
JIM PETRO  
Auditor of State

January 4, 2000

November 17, 1999

To the Board of Education  
Orrville City School District  
Orrville, OH 44667

Independent Auditor's Report

We have audited the accompanying general purpose financial statements of Orrville City School District (the "District") as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Orrville City School District as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we also have issued our report dated November 17, 1999 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.

*Rea & Associates, Inc.*

Columbus  
New Philadelphia  
Millersburg  
Coshocton  
Cambridge  
Marietta  
Medina  
Lima

ORRVILLE CITY SCHOOL DISTRICT

Combined Balance Sheet  
All Fund Types and Account Groups

June 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$ 1,517,795	\$ 184,551	\$ 20,951	\$ 551,615
Restricted Equity in Pooled Cash	65,663	0	0	0
Cash in Segregated Accounts	0	3,692	0	0
Investments	0	0	0	0
Receivables:				
Taxes	5,311,866	0	252,946	758,838
Accounts	727	4,710	0	0
Interfund	3,985	0	0	0
Intergovernmental	0	34,983	0	0
Prepaid Items	84,796	3,494	0	0
Inventory Held For Resale	0	0	0	0
Fixed Assets (Net)	0	0	0	0
<b>Total Assets</b>	<b>6,984,832</b>	<b>231,430</b>	<b>273,897</b>	<b>1,310,453</b>
<b>Other Debits</b>				
Amount Available In Debt Service Fund	0	0	0	0
Amount to be Provided for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
<b>Total Other Debits</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Assets and Other Debits</b>	<b>\$ 6,984,832</b>	<b>\$ 231,430</b>	<b>\$ 273,897</b>	<b>\$ 1,310,453</b>
<b>Liabilities</b>				
Accounts Payable	\$ 64,473	\$ 30,377	\$ 0	\$ 37,602
Contracts Payable	0	0	0	51,239
Accrued Wages and Benefits	1,017,633	30,153	0	0
Compensated Absences Payable	160,598	1,024	0	0
Interfund Payable	0	3,985	0	0
Intergovernmental Payable	194,779	7,528	0	0
Deferred Revenue	5,208,247	0	248,012	744,035
Due to Students	0	0	0	0
Capital Lease Payable	0	0	0	0
House/Lot Land Contract	0	0	0	0
Energy Conservation Loan Payable	0	0	0	279,450
Library Improvement Bonds	0	0	0	0
<b>Total Liabilities</b>	<b>6,645,730</b>	<b>73,067</b>	<b>248,012</b>	<b>1,112,326</b>
<b>Fund Equity and Other Credits</b>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings	0	0	0	0
Fund Balance (Deficit):				
Reserved for Encumbrances	234,355	25,981	0	409,787
Reserved for Taxes Unavailable for Appropriation	103,619	0	4,934	14,803
Reserved for Budget Stabilization	65,663	0	0	0
Unreserved, Undesignated	(64,535)	132,382	20,951	(226,463)
<b>Total Fund Equity and Other Credits</b>	<b>339,102</b>	<b>158,363</b>	<b>25,885</b>	<b>198,127</b>
<b>Total Liabilities, Fund Equity and Other Credits</b>	<b>\$ 6,984,832</b>	<b>\$ 231,430</b>	<b>\$ 273,897</b>	<b>\$ 1,310,453</b>

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

Proprietary Fund Types		Fiduciary Fund Types	Accounts Groups		Totals
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	(Memorandum Only)
\$ 145,404	\$ 8,087	\$ 55,828	\$ 0	\$ 0	\$ 2,484,231
0	0	0	0	0	65,663
0	0	0	0	0	3,692
0	0	38,760	0	0	38,760
0	0	0	0	0	6,323,650
0	0	0	0	0	5,437
0	0	0	0	0	3,985
27,787	0	0	0	0	62,770
3,049	0	0	0	0	91,339
12,979	0	0	0	0	12,979
48,064	0	0	12,867,243	0	12,915,307
<u>237,283</u>	<u>8,087</u>	<u>94,588</u>	<u>12,867,243</u>	<u>0</u>	<u>22,007,813</u>
0	0	0	0	25,885	25,885
0	0	0	0	3,274,132	3,274,132
0	0	0	0	1,218,726	1,218,726
0	0	0	0	4,518,743	4,518,743
<u>\$ 237,283</u>	<u>\$ 8,087</u>	<u>\$ 94,588</u>	<u>\$ 12,867,243</u>	<u>\$ 4,518,743</u>	<u>\$ 26,526,556</u>
\$ 5,729	\$ 0	\$ 2,517	\$ 0	\$ 0	\$ 140,698
0	0	0	0	0	51,239
6,098	0	0	0	0	1,053,884
28,862	0	0	0	1,058,029	1,248,513
0	0	0	0	0	3,985
18,988	0	0	0	114,192	335,487
9,567	0	0	0	0	6,209,861
0	0	26,920	0	0	26,920
29,255	0	0	0	0	29,255
0	0	0	0	96,522	96,522
0	0	0	0	0	279,450
0	0	0	0	3,250,000	3,250,000
<u>98,499</u>	<u>0</u>	<u>29,437</u>	<u>0</u>	<u>4,518,743</u>	<u>12,725,814</u>
0	0	0	12,867,243	0	12,867,243
138,784	8,087	0	0	0	146,871
0	0	0	0	0	670,123
0	0	0	0	0	123,356
0	0	0	0	0	65,663
0	0	65,151	0	0	(72,514)
<u>138,784</u>	<u>8,087</u>	<u>65,151</u>	<u>12,867,243</u>	<u>0</u>	<u>13,800,742</u>
<u>\$ 237,283</u>	<u>\$ 8,087</u>	<u>\$ 94,588</u>	<u>\$ 12,867,243</u>	<u>\$ 4,518,743</u>	<u>\$ 26,526,556</u>

**ORRVILLE CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures  
and Changes in Fund Balances*  
**All Governmental Fund Types and Expendable Trust Funds**

**For the Fiscal Year Ended June 30, 1999**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues</b>				
Taxes	\$ 5,114,719	\$ 0	\$ 209,930	\$ 849,279
Intergovernmental	4,733,417	743,561	12,879	119,850
Investment Income	168,641	0	0	2,428
Tuition and Fees	29,043	0	0	0
Extracurricular Activities	0	265,144	0	0
Miscellaneous	23,061	19,603	0	0
<b>Total Revenues</b>	<b>10,068,881</b>	<b>1,028,308</b>	<b>222,809</b>	<b>971,557</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	5,695,533	148,684	0	140,626
Special	653,732	348,004	0	0
Vocational	263,345	0	0	0
Adult Continuing	0	22,387	0	0
Other	40,844	0	0	0
<b>Support Services:</b>				
Pupils	419,104	140,219	0	0
Instructional Staff	416,092	112,517	0	0
Board of Education	138,793	0	0	0
Administration	851,717	68,031	0	0
Fiscal	242,385	0	3,841	15,433
Business	129,236	0	0	0
Operation and Maintenance of Plant	1,121,094	0	0	0
Pupil Transportation	256,647	932	0	0
Central	18,835	5,949	0	0
Extracurricular Activities	184,078	202,065	0	0
Capital Outlay	5,111	0	0	521,048
<b>Debt Service:</b>				
Principal Retirement	0	0	50,000	16,223
Interest and Fiscal Charges	0	0	182,609	13,753
<b>Total Expenditures</b>	<b>10,436,546</b>	<b>1,048,788</b>	<b>236,450</b>	<b>707,083</b>
Excess of Revenues Over (Under) Expenditures	(367,665)	(20,480)	(13,641)	264,474
Fund Balance (Deficit) at Beginning Of Year	706,767	178,843	39,526	(66,347)
<b>Fund Balance at End of Year</b>	<b>\$ 339,102</b>	<b>\$ 158,363</b>	<b>\$ 25,885</b>	<b>\$ 198,127</b>

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



<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only)</u>
\$ 0	\$ 6,173,928
0	5,609,707
1,818	172,887
0	29,043
0	265,144
1,375	44,039
<u>3,193</u>	<u>12,294,748</u>

1,400	5,986,243
0	1,001,736
0	263,345
0	22,387
2,800	43,644
0	559,323
0	528,609
0	138,793
0	919,748
0	261,659
0	129,236
0	1,121,094
0	257,579
0	24,784
0	386,143
0	526,159
0	66,223
0	196,362
<u>4,200</u>	<u>12,433,067</u>
(1,007)	(138,319)
<u>66,158</u>	<u>924,947</u>
<u>\$ 65,151</u>	<u>\$ 786,628</u>

**ORRVILLE CITY SCHOOL DISTRICT**

*Combined Statement of Revenues, Expenditures and  
Changes in Fund Balances - Budget and Actual  
All Governmental Fund Types*

For the Fiscal Year Ended Date June 30, 1999

	GENERAL FUND			SPECIAL REVENUE FUND		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>						
Taxes	\$ 5,359,100	\$ 5,234,614	\$ (124,486)	\$ 0	\$ 0	\$ 0
Intergovernmental	4,350,000	4,733,417	383,417	788,913	753,667	(35,246)
Investment Income	145,000	178,473	33,473	0	0	0
Tuition and Fees	25,000	29,055	4,055	0	0	0
Extracurricular Activities	0	0	0	260,461	260,434	(27)
Miscellaneous	0	26,599	26,599	23,329	23,272	(57)
<b>Total Revenues</b>	<b>9,879,100</b>	<b>10,202,158</b>	<b>323,058</b>	<b>1,072,703</b>	<b>1,037,373</b>	<b>(35,330)</b>
<b>Expenditures</b>						
<b>Current</b>						
Instruction						
Regular	6,009,939	5,734,450	275,489	219,933	161,398	58,535
Special	650,660	644,621	6,039	399,066	351,763	47,303
Vocational	280,869	270,129	10,740	0	0	0
Adult Education	0	0	0	29,530	23,825	5,705
Other	90,000	43,144	46,856	0	0	0
Support Services						
Pupils	407,504	399,864	7,640	96,478	123,473	(26,995)
Instructional Staff	433,054	420,071	12,983	121,363	114,775	6,588
Board of Education	144,230	141,345	2,885	0	0	0
Administration	900,106	838,199	61,907	68,104	67,312	792
Fiscal	268,898	243,626	25,272	0	0	0
Business	131,000	125,200	5,800	0	0	0
Operation and Maintenance of Plant	1,352,269	1,193,362	158,907	500	0	500
Pupil Transportation	362,566	329,521	33,045	1,162	932	230
Central	19,100	18,282	818	6,000	5,949	51
Operation of Non-Instructional Services	0	0	0	305	0	305
Extracurricular Activities	227,200	187,215	39,985	215,097	215,135	(38)
Capital Outlay	7,000	5,936	1,064	0	0	0
Debt Service						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
<b>Total Expenditures</b>	<b>11,284,395</b>	<b>10,594,965</b>	<b>689,430</b>	<b>1,157,538</b>	<b>1,064,562</b>	<b>92,976</b>
Excess of Revenues Over (Under) Expenditures	(1,405,295)	(392,807)	1,012,488	(84,835)	(27,189)	57,646
<b>Other Financing Sources (Uses)</b>						
Proceeds of Notes	0	0	0	0	0	0
Refund of Prior Year Expenditures	0	4	4	0	25	25
Advances In	0	423,897	423,897	0	3,985	3,985
Advances Out	0	(3,985)	(3,985)	0	(20,397)	(20,397)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>419,916</b>	<b>419,916</b>	<b>0</b>	<b>(16,387)</b>	<b>(16,387)</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,405,295)	27,109	1,432,404	(84,835)	(43,576)	41,259
Fund Balance Beginning of Year	1,010,412	1,010,412	0	108,120	108,120	0
Prior Year Encumbrances Appropriated	270,986	270,986	0	92,686	92,686	0
<b>Fund Balance End of Year</b>	<b>\$ (123,897)</b>	<b>\$ 1,308,507</b>	<b>\$ 1,432,404</b>	<b>\$ 115,971</b>	<b>\$ 157,230</b>	<b>\$ 41,259</b>

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

DEBT SERVICE FUND			CAPITAL PROJECTS FUND			TOTALS (MEMORANDUM ONLY)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 236,800	\$ 216,034	\$ (20,766)	\$ 962,637	\$ 875,867	\$ (86,770)	\$ 6,558,537	\$ 6,326,515	\$ (232,022)
0	20,711	20,711	35,250	119,850	84,600	5,174,163	5,627,645	453,482
0	0	0	0	2,428	2,428	145,000	180,901	35,901
0	0	0	0	0	0	25,000	29,055	4,055
0	0	0	0	0	0	260,461	260,434	(27)
0	0	0	0	0	0	23,329	49,871	26,542
<u>236,800</u>	<u>236,745</u>	<u>(55)</u>	<u>997,887</u>	<u>998,145</u>	<u>258</u>	<u>12,186,490</u>	<u>12,474,421</u>	<u>287,931</u>
0	0	0	183,026	183,026	0	6,412,898	6,078,874	334,024
0	0	0	0	0	0	1,049,726	996,384	53,342
0	0	0	0	0	0	280,869	270,129	10,740
0	0	0	0	0	0	29,530	23,825	5,705
0	0	0	0	0	0	90,000	43,144	46,856
0	0	0	0	0	0	503,982	523,337	(19,355)
0	0	0	0	0	0	554,417	534,846	19,571
0	0	0	0	0	0	144,230	141,345	2,885
0	0	0	0	0	0	968,210	905,511	62,699
6,830	3,841	2,989	20,000	15,433	4,567	295,728	262,900	32,828
0	0	0	0	0	0	131,000	125,200	5,800
0	0	0	0	0	0	1,352,769	1,193,362	159,407
0	0	0	0	0	0	363,728	330,453	33,275
0	0	0	0	0	0	25,100	24,231	869
0	0	0	0	0	0	305	0	305
0	0	0	0	0	0	442,297	402,350	39,947
0	0	0	1,071,863	925,453	146,410	1,078,863	931,389	147,474
50,000	50,000	0	16,223	295,673	(279,450)	66,223	345,673	(279,450)
182,590	182,609	(19)	13,753	13,753	0	196,343	196,362	(19)
<u>239,420</u>	<u>236,450</u>	<u>2,970</u>	<u>1,304,865</u>	<u>1,433,338</u>	<u>(128,473)</u>	<u>13,986,218</u>	<u>13,329,315</u>	<u>656,903</u>
<u>(2,620)</u>	<u>295</u>	<u>2,915</u>	<u>(306,978)</u>	<u>(435,193)</u>	<u>(128,215)</u>	<u>(1,799,728)</u>	<u>(854,894)</u>	<u>944,834</u>
0	0	0	0	279,450	279,450	0	279,450	279,450
0	0	0	0	0	0	0	29	29
0	0	0	0	0	0	0	427,882	427,882
0	0	0	0	(403,500)	(403,500)	0	(427,882)	(427,882)
0	0	0	0	(124,050)	(124,050)	0	279,479	279,479
(2,620)	295	2,915	(306,978)	(559,243)	(252,265)	(1,799,728)	(575,415)	1,224,313
18,038	18,038	0	150,932	150,932	0	1,287,502	1,287,502	0
<u>2,620</u>	<u>2,620</u>	<u>0</u>	<u>504,705</u>	<u>504,705</u>	<u>0</u>	<u>870,997</u>	<u>870,997</u>	<u>0</u>
<u>\$ 18,038</u>	<u>\$ 20,953</u>	<u>\$ 2,915</u>	<u>\$ 348,659</u>	<u>\$ 96,394</u>	<u>\$ (252,265)</u>	<u>358,771</u>	<u>1,583,084</u>	<u>\$ 1,224,313</u>

**ORRVILLE CITY SCHOOL DISTRICT**

*Combined Statement of Revenues,  
Expenses, and Changes in Retained Earnings  
All Proprietary Fund Types*

**For the Fiscal Year Ended June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><u>Operating Revenues</u></b>			
Tuition	\$ 510	\$ 102	\$ 612
Sales	0	4,038	4,038
Charges for Services	301,014	2,175	303,189
Other Operating Revenues	0	12	12
<i>Total Operating Revenues</i>	<u>301,524</u>	<u>6,327</u>	<u>307,851</u>
<b><u>Operating Expenses</u></b>			
Salaries	167,511	3,251	170,762
Fringe Benefits	108,089	230	108,319
Purchased Services	18,191	12,213	30,404
Materials and Supplies	235,165	2,830	237,995
Depreciation	4,143	0	4,143
Other Operating Expenses	0	1,095	1,095
<i>Total Operating Expenses</i>	<u>533,099</u>	<u>19,619</u>	<u>552,718</u>
Operating (Loss)	<u>(231,575)</u>	<u>(13,292)</u>	<u>(244,867)</u>
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Grants	199,062	1,478	200,540
Contributions and Donations	0	12,060	12,060
Donated Commodities	50,098	0	50,098
Investment Income	261	0	261
Interest Expense	(1,499)	0	(1,499)
<i>Total Non-Operating Revenues (Expenses)</i>	<u>247,922</u>	<u>13,538</u>	<u>261,460</u>
Net Income	16,347	246	16,593
Retained Earnings Beginning of Year	<u>122,437</u>	<u>7,841</u>	<u>130,278</u>
Retained Earnings End of Year	<u>\$ 138,784</u>	<u>\$ 8,087</u>	<u>\$ 146,871</u>

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

**ORRVILLE CITY SCHOOL DISTRICT**

*Combined Statement of Cash Flows*

**All Proprietary Fund Types**

**For the Year Ended Date June 30, 1999**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	\$ 302,316	\$ 6,327	\$ 308,643
Cash Paid for Goods and Services	(198,181)	(16,305)	(214,486)
Cash Paid to Employees	(273,790)	(3,586)	(277,376)
	<u>(169,655)</u>	<u>(13,564)</u>	<u>(183,219)</u>
<b><u>Net Cash (Used For) Operating Activities</u></b>			
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Grants	171,275	1,478	172,753
Investment Income	261	0	261
Contributions and Donations	0	12,060	12,060
	<u>171,536</u>	<u>13,538</u>	<u>185,074</u>
<b><u>Net Cash (Used For) Non-Capital Activities</u></b>			
<b><u>Cash Flows From Capital Financing Activities</u></b>			
Principal Payments on Capital Lease	(3,480)	0	(3,480)
Interest Payments on Capital Lease	(1,499)	0	(1,499)
Proceeds from Inception of Capital Lease	32,735	0	32,735
Purchase of Fixed Assets	(44,794)	0	(44,794)
	<u>(17,038)</u>	<u>0</u>	<u>(17,038)</u>
<b><u>Net Cash (Used For) Non-Capital Activities</u></b>			
Net Increase (Decrease) in Cash and Cash Equivalents	(15,157)	(26)	(15,183)
Cash and Cash Equivalents at Beginning of Year	160,561	8,113	168,674
	<u>\$ 145,404</u>	<u>\$ 8,087</u>	<u>\$ 153,491</u>
<b><u>Cash and Cash Equivalents at End of Year</u></b>			
<b><u>Reconciliation of Operating (Loss) to Net Cash (Used For) Operating Activities</u></b>			
Operating (Loss)	\$ (231,575)	\$ (13,292)	\$ (244,867)
<b><u>Adjustments to Reconcile Operating (Loss) to Net Cash (Used For) Operating Activities:</u></b>			
Depreciation	4,143	0	4,143
Non-cash Donated Commodities	50,098	0	50,098
Decrease in Accounts Receivable	792	0	792
Decrease in Inventory	2,539	0	2,539
(Increase) in Prepaid Expenses	(3,049)	0	(3,049)
Increase (Decrease) in Accounts Payable	5,729	(167)	5,562
Increase in Accrued Wages and Benefits	6,098	(105)	5,993
(Decrease) in Deferred Revenue	(3,191)	0	(3,191)
Increase in Compensated Absences Payable	2,013	0	2,013
(Decrease) in Intergovernmental Payable	(3,252)	0	(3,252)
	<u>61,920</u>	<u>(272)</u>	<u>61,648</u>
<b><u>Total Adjustments</u></b>	<u>61,920</u>	<u>(272)</u>	<u>61,648</u>
<b><u>Net Cash (Used For) Operating Activities</u></b>	<u>\$ (169,655)</u>	<u>\$ (13,564)</u>	<u>\$ (183,219)</u>

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

---

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

The Orrville City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1998, was 2,035. The District employs 11 administrative staff, 144 certificated and 87 non-certificated employees.

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

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

The District is involved with Tri-County Computer Service Association (TCCSA) and Wayne County Career Center, which are defined as jointly governed organizations, and the Orrville Public Library, which is defined as a related organization. Additional information concerning the jointly governed and related organizations are presented in Notes 16 and 19.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, and Basis of Presentation (Continued)

**Governmental Fund Types**

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be approximately sixty days. Generally property taxes, although measurable, are not available soon enough after the current period to finance current period obligations, and accordingly, property taxes receivable are reflected as deferred revenue until available. Reimbursements due for federally funded programs are recognized when the corresponding expenditures are made.

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the payment of interest and principal on long-term general obligation debt other than those payable from enterprise funds.

Capital Projects Fund - 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 or trust funds.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, And Basis of Presentation (Continued)

**Proprietary Fund Types**

Proprietary fund types are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Allocations of costs, such as depreciation, are recognized in the proprietary funds. As permitted, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations unless they contradict/conflict with Governmental Accounting Standards Board pronouncements. Proprietary funds include the following fund types:

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

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

**Fiduciary Fund Types**

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

*Expendable Trust Fund* - Expendable trust funds are accounted for in essentially the same manner as the governmental funds.

*Agency Fund* - Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds are used to account for assets that the District holds for others in an agency capacity.

**Account Groups**

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



ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Measurement Focus, Basis of Accounting, And Basis of Presentation (Continued)

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

General Long-term Obligation Account Group - This account group is used to account for all unmatured long-term obligations of the District that is not a specific liability of the proprietary funds.

B. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All governmental funds are required to be budgeted and appropriated. The primary level of budgetary control is at the function level within each fund. Budgetary modifications may only be made by resolution of the Board of Education.

Tax Budget

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

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the District by March 1. As part of the certification, the District receives the official certificate of estimated resources which states that projected revenue of each fund. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the Certificate of Estimated Resources is amended to include any unencumbered balances from the preceding year. The Certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Budgetary Process (Continued)

Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types” do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations. The District limited the reporting of budgetary comparisons to the governmental funds in compliance with GASB Codification 2400.102 and .110.

Appropriations

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

The allocation of appropriations among functions within a fund may be modified during the year by the Treasurer. Several supplemental appropriation resolutions were legally enacted by the Board of Education during the year. The budget figures, as shown in the accompanying “Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Non-GAAP Basis) - All Governmental Fund Types” represent the final appropriation amounts including all amendments and modifications. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds.

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective funds from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

Encumbrances

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administrative purposes. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are either charged when purchased or credited at the time of redemption to their respective fund balances. Investment income is recorded in the General Fund, as permitted by the Ohio Revised Code. Investments are stated at cost, which approximates market value at year end.

D. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve, textbook reserve, and capital maintenance reserve. These reserves are required by State statute. The budget stabilization reserve can be used only after receiving approval from the State Superintendent of Public Instruction. The capital maintenance reserve and textbook reserve can only be used for capital outlay expenditure and instructional materials and equipment, respectively. During fiscal year 1999, the District set aside the amounts required by State statute. Fund balance reserves have also been established.

E. Receivables

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

F. Interfund Assets/Liabilities

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

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

H. Fixed Assets and Depreciation

Fixed assets used in governmental fund types of the District are recorded in the general fixed assets account group at cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. The District does not possess any infrastructure.

Fixed assets which are used in proprietary fund type activities are capitalized in the respective funds. Fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated fair market value when received, based on historical information available. Depreciation is computed using the straight-line method based on the estimated life of assets. Estimated useful lives of the various classes of depreciable assets consist of: buildings, 30 to 50 years; improvements, 30 to 50 years; equipment, including vehicles, 5 to 20 years. The District's capitalization threshold is five hundred dollars.

I. Accrued Liabilities and Long-Term Obligations

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

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

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Transactions

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

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

K. Compensated Absences

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

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

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balances indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventories of supplies and materials, long-term advances to other funds, contributions to the nonexpendable trust funds that must be kept intact, and HB412 reserves such as textbooks and instructional materials, capital improvements, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues

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

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

Entitlements

*General Fund:*

State Foundation Program  
State Property Tax Relief  
School Bus Purchase Allowance

Non-Reimbursable Grants

*Special Revenue Funds:*

Martha Holden Jennings Grant  
Cross Train Your Brain Grant  
Auxiliary Services  
Education Management Information Systems  
Eisenhower Grant  
Title I  
Title II  
Title VI  
Title VI-B  
Continuous Improvement Grant  
Cluster Grant  
Wetlands Ecosystem Grant  
Drug-Free Schools  
Teacher Development Block Grant  
Schoolnet Plus  
School-to-Work

*Capital Projects Funds:*

School Net  
Geothermal Heating & Cooling Grant  
Power Up

Reimbursable Grants

*General Fund:*

Driver Education

*Proprietary Funds:*

National School Lunch Program  
Government Donated Commodities

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Intergovernmental Revenues (Continued)

Grants and entitlements amounted to approximately 44% of the District's operating revenue during the 1999 fiscal year.

N. Total Columns on General Purpose Financial Statements

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

NOTE 3: BUDGETARY BASIS OF ACCOUNTING

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

- 1) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- 3) Encumbrances are treated as expenditure/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types as note disclosure in the proprietary fund type (GAAP basis).
- 4) Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
- 5) The District repays note debt from the debt service fund (budget non-GAAP basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 3: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Excess (Deficiency) of Revenues Over Expenditures and Other  
Sources (Uses) Reconciliation of Budget Basis to GAAP Basis

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund
Budget basis	\$ 27,109	\$ (43,576)	\$ 295	\$ (559,243)
Encumbrances	274,950	31,013	0	447,389
Revenue accruals	(129,292)	(13,075)	(13,936)	(306,038)
Expenditure accruals	(540,432)	5,158	0	682,366
GAAP Basis	<u>\$(367,665)</u>	<u>\$ (20,480)</u>	<u>\$ (13,641)</u>	<u>\$ 264,474</u>

NOTE 4: DEPOSITS AND INVESTMENTS

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

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

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



ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

---

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

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

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.

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

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

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 4: DEPOSITS AND INVESTMENTS (Continued)

Deposits

At year-end, the carrying amount of the District's deposits was \$2,578,224, and the bank balance was \$2,950,668. Of the bank balance:

1. \$100,000 was covered by federal depository insurance.
2. \$1,732,119 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

Investments

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal 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 which 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.

<u>Investment</u>	<u>Category</u>			<u>Carrying Value</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
The Savings Bank and Trust Company Money Market	\$ 0	\$ 0	\$ 14,122	\$ 14,122	\$ 14,122

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement 9	\$ 2,553,586	\$ 38,760
Savings Bank and Trust CD	7,500	(7,500)
Orrville Savings Bank CD	17,138	(17,138)
GASB Statement 3	<u>\$ 2,578,224</u>	<u>\$ 14,122</u>

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 5: FIXED ASSETS AND ACCUMULATED DEPRECIATION

A. General Fixed Assets Account Group

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

	<u>Balance</u> <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 1999</u>
Land	\$ 984,038	\$ 0	\$ 0	\$ 984,038
Buildings and improvements	7,746,596	242,850	0	7,989,446
Furniture and equipment	3,157,777	252,304	(4,924)	3,405,157
Vehicles	437,362	0	0	437,362
Construction in progress	<u>0</u>	<u>51,240</u>	<u>0</u>	<u>51,240</u>
Totals	<u>\$12,325,773</u>	<u>\$ 546,394</u>	<u>\$ (4,924)</u>	<u>\$ 12,867,243</u>

B. Proprietary Fund Type Fixed Assets

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

<u>Enterprise</u>	<u>June 30, 1999</u>
Equipment	\$ 146,806
Less: accumulated depreciation	<u>(98,742)</u>
Net fixed assets	<u>\$ 48,064</u>

NOTE 6: NOTE DEBT

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

	<u>Outstanding</u> <u>6/30/98</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/99</u>
Capital Projects Funds, HB264, 3.75%	<u>\$ 279,450</u>	<u>\$ 279,450</u>	<u>\$ (279,450)</u>	<u>\$ 279,450</u>

The District issued bond anticipation note debt for the purpose of providing the implementation of energy conservation measures. The note matures July 6, 1999.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 7: LONG-TERM OBLIGATIONS

The changes in the District's general long-term obligations during the fiscal year 1999 were as follows:

	<u>Outstanding</u> <u>June 30, 1998</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding</u> <u>June 30, 1999</u>
Land contract payable, 7.375% interest rate, due January 10, 1999	\$ 9,000	\$ 0	\$ (9,000)	\$ 0
House/lot land contract, 5% interest rate, due January 15, 2009	103,745	0	(7,223)	96,522
Library Improvement Bonds, 5.85% interest Rate, due December 1, 2022	3,300,000	0	(50,000)	3,250,000
Intergovernmental:				
SERS payable	109,407	114,192	(109,407)	114,192
Compensated absences	<u>1,083,081</u>	<u>1,058,029</u>	<u>(1,083,081)</u>	<u>1,058,029</u>
Totals	<u>\$ 4,605,233</u>	<u>\$ 1,172,221</u>	<u>\$(1,258,711)</u>	<u>\$ 4,518,743</u>

The District purchased land on a land contract for a future Oak Street School Capital Improvement. The District may not pay off the loan early, and may not pay more than nine thousand dollars in any one year. This note is backed by the full faith and credit of the District. The land contract was paid in full this fiscal year.

In December 1997, the District issued \$3,300,000 in library improvement bonds for the purpose of improving the Orrville Public Library. The library bond issuance consisted of four \$825,000 bonds of like tenor and effect with a yield between 4.00% to 5.8%. The bonds are to be repaid through the debt service fund with the proceeds from a special tax levy.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 7: LONG-TERM OBLIGATIONS (Continued)

The District purchased land and a house on a land contract for a future Oak Street School Capital Improvement on January 5, 1998. The District may pay off the loan early with the consent of the seller. There will be no reduction in the balance due to an early payoff. This note is backed by the full faith and credit of the District.

Annual requirements to retire general obligation debt, including notes outstanding at June 30, 1999, are as follows:

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,	2000	\$ 62,674	\$ 182,598	\$ 245,272
	2001	68,058	179,686	247,744
	2002	73,460	176,468	249,928
	2003	78,884	172,940	251,824
	2004	84,328	169,086	253,414
	Future years	<u>2,979,118</u>	<u>1,916,744</u>	<u>4,895,862</u>
	Total	<u>\$ 3,346,522</u>	<u>\$ 2,797,522</u>	<u>\$ 6,144,044</u>

NOTE 8: CAPITAL LEASES

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

Enterprise fixed assets consisting of a pizza oven has been capitalized in the food service fund in the amount of \$32,735. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the food service fund. Principal payments in fiscal year 1999 totaled \$4,979 in the enterprise funds.

The following is a schedule of future long-term minimum lease payments required under the capital lease together with the present value of the minimum lease payments as of June 30, 1999:

Fiscal year ending June 30,	2000	\$ 9,959
	2001	9,959
	2002	9,959
	2003	<u>4,979</u>
Minimum lease payments		34,856
Less: Amount representing interest		<u>(5,601)</u>
Present value of net minimum lease payments		<u>\$ 29,255</u>

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 9: PROPERTY TAXES

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

Real property taxes are based on assessed value equal to thirty-five percent of appraisal value. The Wayne County Auditor reappraises real property every six years with a triennial update, the last update for Wayne County was done in 1998. Real property tax, which becomes a lien on the applicable real property, becomes due annually on December 31. However, real property taxes are billed semi-annually one year in arrears. The tax rate applied to real property collected in 1998 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to 46.66 per \$1,000 of valuation. The effective rate applied after adjustment for inflationary increases in property values was 28.46 per \$1,000 of assessed valuation for residential and agricultural real property, and 38.85 per \$1,000 of assessed valuation for other real property.

Tangible personal property used in business is required to be reported by its owners by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the current year ended December 31, 1998 was 46.66 per \$1,000 of valuation.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property, and public utility taxes which became measurable at June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 is recognized as revenue. The amount available to the District as an advance at June 30, 1999, was \$123,356.

NOTE 10: DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes general purpose financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 4321-53634.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 10: DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14%; 10.5% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$236,640, \$232,908, and \$218,844, respectively. 48% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$120,186, representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds and the general long-term obligation account group.

B. State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 12.0% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$862,080, \$809,496, and \$791,304, respectively; 83% has been contributed for fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$143,680, representing the unpaid contribution for fiscal year 1999 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 1999, all members of the Board of Education have elected social security. The Board's liability is 6.2% of wages paid.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 11: POSTEMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to 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% of covered payroll. The Board currently allocates employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$210,823 during the 1999 fiscal year. For the fiscal year ended June 30, 1998, the most current information available, the net health care costs paid by STRS were \$219,224,000 statewide.

For SERS, coverage is made available to service retirees with ten years or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service, up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 4.98% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For the fiscal year 1999, the minimum pay has been established at \$12,400. For the District the amount to fund healthcare benefits, including surcharge, equaled \$133,351 during the 1999 fiscal year. The number of participants currently receiving health care benefits statewide is 50,000. For the fiscal year ended June 30, 1998, the most current information available, net health care costs by School Employees Retirement System were \$111,900,575 statewide.

NOTE 12: NON-CASH TRANSACTIONS

The District receives food commodities for its food service obligations. The revenue recognized in grant income from the non-cash commodities was \$50,098.



ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 13: INTERFUND ACTIVITY

As of June 30, 1999, receivables and payables that resulted from various interfund transactions were as follows:

<u>Fund Type/Fund</u>	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 3,985	\$ 0
Special Revenue Fund:		
Oasis In-School Case Manager	<u>0</u>	<u>3,985</u>
 Total all funds	 <u>\$ 3,985</u>	 <u>\$ 3,985</u>

NOTE 14: STATUTORY RESERVES AND RESTRICTED CASH

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (GAAP basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>	<u>Total</u>
Set-Aside Balance July 1, 1998	\$ 0	\$ 0	\$ 65,663	\$ 65,663
Required Set-Aside	177,717	177,717	0	355,434
Offset Credits	(31,954)	(177,717)	0	(209,671)
Qualifying Expenditures	<u>(145,763)</u>	<u>0</u>	<u>0</u>	<u>(145,763)</u>
 Set-Aside Balance, June 30, 1999	 <u>\$ 0</u>	 <u>\$ 0</u>	 <u>\$ 65,663</u>	 <u>65,663</u>
 Restricted Cash				 <u>\$ 65,663</u>

Expenditures for textbook and capital activity during the year were \$301,993 and \$172,416, respectively, and offsets for the capital maintenance reserve were \$950,467, which exceeded the required set-aside and the reserve balance.

The budget stabilization reserve required set-aside was zero because the District's base revenue growth between the prior two years was less than the 3% minimum requirement.

NOTE 15: CONTRACTUAL COMMITMENTS

As of June 30, 1999, the District had contractual commitments for the Orrville Jr. High School Renovation and Construction Project:

	<u>Contractual Commitment</u>	<u>Expended</u>	<u>Balance 6/30/99</u>
CCM Corporation	<u>\$ 316,619</u>	<u>\$ 51,240</u>	<u>\$ 265,379</u>

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 16: RELATED ORGANIZATION

The Orrville Public Library (the "Library") is a related organization to the District. The school board members are responsible for appointing all the trustees of the Library; however, the school board cannot influence the Library's operation, nor does the Library represent a potential financial benefit or burden to the District. The District serves in a ministerial capacity as the taxing authority for the Library. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may not issue debt and determines its own budget. The Library did not receive any funding from the District during fiscal year 1999. However, the school board did place a levy on the ballot for the library. The purpose of this levy was to repay library renovation and expansion bonds. The total amount of bonds issued was \$3,300,000. The electors of the District approved the levy. See Note 7 for additional disclosures regarding the bond issue.

NOTE 17: SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains enterprise funds to account for the operation of school food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999.

	<u>Food Services</u>	<u>Adult Education</u>	<u>Total</u>
Operating revenues	\$ 301,014	\$ 510	\$ 301,524
Operating expenses:			
Salaries and wages	167,115	396	167,511
Fringe benefits	107,842	247	108,089
Contractual services	18,191	0	18,191
Materials and supplies	235,138	27	235,165
Depreciation	<u>4,143</u>	<u>0</u>	<u>4,143</u>
Total operating expenses	<u>532,429</u>	<u>670</u>	<u>533,099</u>
Operating loss	(231,415)	(160)	(231,575)
Non-operating revenues, net	<u>247,922</u>	<u>0</u>	<u>247,922</u>
Net income (loss)	<u>\$ 16,507</u>	<u>\$ (160)</u>	<u>\$ 16,347</u>
Other information:			
Net working capital	\$ 139,412	\$ 1,980	\$ 141,392
Fixed assets, net	48,064	0	48,064
Total assets	235,183	2,100	237,283
Total equity	136,804	1,980	138,784
Encumbrances at June 30, 1999	23,324	0	23,324

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 18: RISK MANAGEMENT

A. General Insurance

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

B. Fidelity Bond

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

C. Workers' Compensation

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

D. Employee Health Insurance

The District is not self insured and does not assume any responsibility for liabilities arising from claims for health insurance coverage.

The District has health insurance coverage through Medical Mutual Insurance. There are two types of coverage: a select plan which offers \$1,000,000 per person, per life plan with \$100 deductible per person, or \$200 per family per year and a 80%-20% copayment thereafter.

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS

A. Tri-County Computer Service Association (TCCSA)

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 20 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on a per-pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Wayne County Education Services Center, which serves as fiscal agent, located at Wooster, Ohio. During the year ended June 30, 1999, the District paid approximately \$32,145 to TCCSA for basic service charges.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 1999

---

NOTE 19: JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Wayne County Career Center

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

NOTE 20: CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements, and is subject to audit by the grantor agencies. Any *disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds*. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

B. Litigation

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

NOTE 21: OTHER MATTERS

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio School Funding Plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$4,599,611 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these financial statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

ORRVILLE CITY SCHOOL DISTRICT

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

JUNE 30, 1999

---

NOTE 21: OTHER MATTERS (Continued)

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its operations.

NOTE 22: YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the government's operations as early as calendar year 1999.

The District has completed an inventory of computer systems and other electronic equipment necessary to conducting the District's operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS) and energy efficient systems.

The District obtains utility services from outside vendors whose systems have been identified as mission critical to the District. Vendors are responsible for remediating their systems and are solely responsible for any associated costs.

The District uses the State of Ohio Uniform School Accounting System software for its financial reporting, and the State of Ohio Uniform Staff System software for its payroll and employee benefits. The State is responsible for remediating these systems.

The District has completed an inventory of the heating operations within the District buildings. The District has updated the heating systems in the various buildings and believes them to be Year 2000 compliant.

Wayne County collects property tax for distribution to the District. These counties are responsible for remediating their tax collection systems.

Assurances have been obtained from First Merit Bank, who provides services to the District, that, "As of April 1, 1999, plans are to eliminate the current transmission file and move forward with the Year 2000 compliant file."

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and Federal and State payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be Year 2000 ready.

November 17, 1999

To the Board of Education  
Orrville City School District  
Orrville, OH 44667

**Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

We have audited the financial statements of Orrville City School District (the "District") as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 99-001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered 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. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 99-002.

Columbus  
New Philadelphia  
Millersburg  
Coshocton  
Cambridge  
Marietta  
Medina  
Lima

Orrville City School District  
Independent Auditor's Report on Compliance and Internal Control  
Over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards  
November 17, 1999  
Page 2

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

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

*Rea & Associates, Inc.*

November 17, 1999

To the Board of Education  
Orrville City School District  
Orrville, OH 44667

**Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133**

**Compliance**

We have audited the compliance of Orrville City School District (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, 1999. The District's major federal program is identified in the "summary of auditor's results" section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of State, 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 with the types of compliance requirements referred to above that could have a direct and material effect of a major federal program occurred. 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, Orrville City School 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, 1999.

**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.



Orrville City School District  
Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program and Internal  
Control Over Compliance in Accordance with OMB Circular A-133  
November 17, 1999  
Page 2

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

Schedule of Expenditures of Federal Awards - Non-GAAP Budgetary Basis

We have audited the general purpose financial statements of Orrville City School District as of and for the year ended June 30, 1999, and have issued our report thereon dated November 17, 1999. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

*Rea & Associates, Inc.*

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U. S. DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution	044610 05-PU 99	10.550	\$ 0	\$ 50,098	\$ 0	\$ 50,098
School Breakfast Program	044610 05-PU 99	10.553	15,796	0	15,796	0
National School Lunch Program	044610 05-PU 99	10.555	123,426	0	123,426	0
Special Milk Program for Children	044610 05-PU 99	10.556	2,225	0	2,225	0
<i>Total U. S. Department of Agriculture</i>			141,447	50,098	141,447	50,098
<b>U.S. DEPARTMENT OF LABOR</b>						
<i>Passed through Ohio Department of Education:</i>						
Employment Services and Job Training: Pilot and Demonstration Programs	044610 WK-BE 99	17.249	51,470	0	49,295	0
<i>Total U. S. Department of Labor</i>			51,470	0	49,295	0
<b>U.S. DEPARTMENT OF EDUCATION</b>						
<i>Passed through Ohio Department of Education:</i>						
Adult Education: State Grant Program	044610 AB-S1 99	84.002	26,678	0	26,678	0
Title I Grants to Local Educational Agencies	044610 C1-S1 98	84.010	74,529	0	103,823	0
	044610 C1-S1 99		314,845	0	299,683	0
<b>Total Title I</b>			389,374	0	403,506	0
Special Education Grants to States	044610 6B-SF 99	84.027	101,404	0	87,382	0
Safe & Drug Free Schools & Communities: State Grants	044610 DR-S1-99	84.186	11,691	0	12,486	0
Fund for the Improvement of Education	044610 PI-S1 99	84.215	11,667	0	2,472	0
Eisenhower Professional Development State Grants	044610 MS-S1 99	84.281	10,585	0	14,148	0
Innovative Education Program Strategies	044610 C2-S1 99	84.298	8,382	0	14,127	0
<i>Total U. S. Department of Education</i>			559,781	0	560,799	0
<b>Total Expenditures of Federal Awards</b>			<b>\$ 752,698</b>	<b>\$ 50,098</b>	<b>\$ 751,541</b>	<b>\$ 50,098</b>

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 1999

NOTE A: SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditure of federal awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 1999, the District had no significant food commodities inventory.

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999

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

A-133 Ref.  
.505(d)

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

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

Material Noncompliance

<b>Finding Number</b>	<b>99-001</b>
-----------------------	---------------

Ohio Rev. Code Section 5705.39, prohibits a political subdivision or taxing unit from making a fund appropriation in excess of the estimated revenue available for expenditures from that fund.

The Permanent Improvement Fund was found to have appropriations by an amount material to the financial statements in excess of the estimated resources available for expenditures.

ORRVILLE CITY SCHOOL DISTRICT  
WAYNE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 1999

Material Reportable Control Weaknesses

<b>Finding Number</b>	<b>99-002</b>
-----------------------	---------------

Amended Estimated Revenues and Appropriations

Final amendments to estimated revenues and appropriations approved by the County and Board of Education were not posted to the District's accounting system. As a result, the budgetary amounts reported on the Statement of Expenditures and Encumbrances Compared with Expenditure Authority did not reflect accurate budget amounts, causing these statements to be misstated by material amounts.

We recommend all budgetary information certified by the budget commission and approved by the Board of Education be routinely posted to the accounting records. The treasurer should continuously supervise this function by inspecting official documents from the county budget commission and comparing it to amounts posted.

Adjustments to reported budgeted amounts have been agreed upon by management and are reflected in the accompanying financial statements.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

<b>NONE</b>	
-------------	--

**4. SUMMARY SCHEDULE OF PRIOR AUDIT FINDING AND CORRECTIVE ACTION PLAN**

<b>NONE</b>	
-------------	--



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**ORRVILLE CITY SCHOOL DISTRICT**  
**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

By: *Susan Babbitt*

Date: JANUARY 13, 2000