

**OBERLIN CITY SCHOOL DISTRICT
LORAIN COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

Oberlin City School District
General Purpose Financial Statements
For the Fiscal Year Ended June 30, 1999
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Report of Independent Accountants

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Oberlin City School District, Lorain County, Ohio, (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 the Oberlin City School District, Lorain County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 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.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying Schedule of Federal Awards Receipts and Expenditures is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. 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.



JIM PETRO
Auditor of State

December 20, 1999

OBERLIN 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
Assets and other debits				
Pooled cash and equivalents	\$ 2,119,452	\$ 477,860	\$ 584,751	\$ 292,381
Cash with fiscal agents	-	-	550	-
Restricted cash	371,274	-	-	-
Receivables, net of allowance				
Taxes, current	3,884,356	126,745	263,556	241,399
Taxes, delinquent	59,378	2,026	4,850	4,045
Interfund receivable	50,000	-	-	-
Inventories	-	-	-	-
Fixed assets	-	-	-	-
Accumulated depreciation	-	-	-	-
Amount available for debt service	-	-	-	-
Amount to be provided for debt service	-	-	-	-
Amount to be provided for benefits	-	-	-	-
Amount to be provided for capital lease obligations	-	-	-	-
Total assets and other debits	\$ 6,484,460	\$ 606,631	\$ 853,707	\$ 537,825

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Enterprise	Trust and Agency	
\$ 91,763	\$ 47,196	\$ -	\$ -	\$ 3,613,403
-	-	-	-	550
-	-	-	-	371,274
-	-	-	-	4,516,056
-	-	-	-	70,299
-	-	-	-	50,000
3,976	-	-	-	3,976
225,949	-	14,445,979	-	14,671,928
(209,936)	-	-	-	(209,936)
-	-	-	629,245	629,245
-	-	-	805,955	805,955
-	-	-	850,000	850,000
-	-	-	45,789	45,789
\$ 111,752	\$ 47,196	\$ 14,445,979	\$ 2,330,989	\$ 25,418,539

OBERLIN 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
Liabilities, fund equity and other credits				
Liabilities				
Accounts and contracts payable	\$ 36,178	\$ 17,737	\$ -	\$ 9,473
Accrued salaries and benefits	674,262	59,030	-	-
Due to other governments	190,998	7,632	-	-
Interfund payable	-	50,000	-	-
Due to students	-	-	-	-
Deferred revenue	3,297,956	160,613	223,912	205,506
Matured bonds and coupons payable	-	-	550	-
Bonds payable	-	-	-	-
Capital lease obligations	-	-	-	-
Compensated absences payable	22,420	-	-	-
Total liabilities	4,221,814	295,012	224,462	214,979
Fund equity and other credits				
Investment in general fixed assets	-	-	-	-
Retained earnings	-	-	-	-
Unreserved	-	-	-	-
Fund balance	-	-	-	-
Reserved for debt service	-	-	584,751	-
Reserved for budget stabilization	371,274	-	-	-
Reserved for encumbrances	135,482	55,093	-	18,814
Reserved for property taxes	645,778	19,392	44,494	39,938
Unreserved	1,110,112	237,134	-	264,094
Total fund equity and other credits	2,262,646	311,619	629,245	322,846
Total liabilities, fund equity and other credits	\$ 6,484,460	\$ 606,631	\$ 853,707	\$ 537,825

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

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$ 102	\$ 765	\$ -	\$ -	\$ 64,255
12,106	-	-	-	745,398
13,776	-	-	105,051	317,457
-	-	-	-	50,000
-	26,712	-	-	26,712
1,135	-	-	-	3,889,122
-	-	-	-	550
-	-	-	1,435,200	1,435,200
-	-	-	45,789	45,789
11,904	-	-	744,949	779,273
<u>39,023</u>	<u>27,477</u>		<u>2,330,989</u>	<u>7,353,756</u>
-	-	14,445,979	-	14,445,979
72,729	-	-	-	72,729
-	-	-	-	584,751
-	-	-	-	371,274
-	-	-	-	209,389
-	-	-	-	749,602
-	19,719	-	-	1,631,059
<u>72,729</u>	<u>19,719</u>	<u>14,445,979</u>		<u>18,064,783</u>
\$ 111,752	\$ 47,196	\$ 14,445,979	\$ 2,330,989	\$ 25,418,539

OBERLIN CITY SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 1999

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues				
Taxes	\$ 5,360,392	\$ 109,602	\$ 281,065	\$ 197,733
Tuition and fees	14,015	-	-	-
Interest	232,493	-	-	-
Intergovernmental	2,735,858	845,778	36,826	62,014
Extracurricular	-	52,086	-	-
Miscellaneous	64,347	106,769	-	-
Total revenues	8,407,105	1,114,235	317,891	259,747
Expenditures				
Current				
Instruction				
Regular	3,653,946	320,904	-	38,907
Special	637,999	354,443	-	-
Vocational education	77,904	-	-	-
Supporting services				
Pupil	571,933	115,817	-	-
Instructional	161,308	23,503	-	-
Board of education	62,995	-	-	-
Administration	873,020	7,385	-	-
Fiscal	287,562	2,349	6,060	4,695
Operation and maintenance	757,071	-	-	231,970
Pupil transportation	278,029	-	-	-
Central	46,165	-	-	-
Extracurricular				
Academic and subject oriented	27,211	-	-	-
Sports oriented	90,723	50,744	-	-
Co-curricular	12,498	-	-	-
Debt service				
Principal	68,432	-	320,000	-
Interest and fiscal charges	27,750	-	118,993	-
Total expenditures	7,634,546	875,145	445,053	275,572
Excess (deficiency) of revenues over expenditures	772,559	239,090	(127,162)	(15,825)
Other financing sources (uses)				
Operating transfers-in	-	4,306	-	-
Operating transfers-out	(4,306)	-	-	-
Total other financing sources (uses)	(4,306)	4,306	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	768,253	243,396	(127,162)	(15,825)
Fund balances at beginning of year	1,494,393	68,223	756,407	338,671
Fund balances at end of year	\$ 2,262,646	\$ 311,619	\$ 629,245	\$ 322,846

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

Fiduciary Fund Type			
Expendable Trust		Totals (Memorandum Only)	
\$	-	\$	5,948,792
	-		14,015
	-		232,493
	-		3,680,476
	-		52,086
	3,359		174,475
	3,359		10,102,337
	3,125		4,016,882
	-		992,442
	-		77,904
	-		687,750
	-		184,811
	-		62,995
	-		880,405
	-		300,666
	976		990,017
	-		278,029
	-		46,165
	-		27,211
	-		141,467
	-		12,498
	-		388,432
	-		146,743
	4,101		9,234,417
	(742)		867,920
	-		4,306
	-		(4,306)
	-		-
	(742)		867,920
	20,461		2,678,155
\$	19,719	\$	3,546,075

OBERLIN CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES --
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) -- ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 5,338,303	\$ 5,396,668	\$ 58,365
Tuition and fees	13,677	14,015	338
Interest	193,023	245,404	52,381
Intergovernmental	2,689,678	2,735,858	46,180
Extracurricular	-	-	-
Miscellaneous	76,201	16,714	(59,487)
Total revenues	8,310,882	8,408,659	97,777
Expenditures			
Current			
Instruction			
Regular	3,752,593	3,699,051	53,542
Special	863,858	699,151	164,707
Vocational education	95,297	80,630	14,667
Supporting services			
Pupil	695,682	652,595	43,087
Instructional	197,450	184,260	13,190
Board of education	81,142	76,255	4,887
Administration	930,630	851,568	79,062
Fiscal	280,961	298,966	(18,005)
Operation and maintenance	846,515	809,355	37,160
Pupil transportation	330,309	289,534	40,775
Central	99,262	64,473	34,789
Extracurricular			
Academic and subject oriented	31,638	27,180	4,458
Sports oriented	102,404	92,700	9,704
Co-curricular	14,303	12,447	1,856
Debt service			
Principal	59,200	59,200	-
Interest and fiscal charges	23,621	23,621	-
Total expenditures	8,404,865	7,920,986	483,879
Excess (deficiency) of revenues over expenditures	(93,983)	487,673	581,656
Other financing sources (uses)			
Operating transfers-in	-	-	-
Advances in	125,000	125,000	-
Refund of prior year's expenditures	2,500	47,633	45,133
Operating transfers-out	(4,306)	(4,306)	-
Advances out	(50,000)	(50,000)	-
Refund of prior year's receipts	-	-	-
Pass through	(364,368)	-	364,368
Total other financing sources (uses)	(291,174)	118,327	409,501
Excess (deficiency) of revenues over expenditures and other sources (uses)	(385,157)	606,000	991,157
Prior year encumbrances	228,926	228,926	-
Fund balances at beginning of year	1,280,537	1,280,537	-
Fund balances at end of year	\$ 1,124,306	\$ 2,115,463	\$ 991,157

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 122,470	\$ 112,695	\$ (9,775)	\$ 393,096	\$ 313,858	\$ (79,238)
-	-	-	-	-	-
588,026	751,522	163,496	24,000	36,826	12,826
31,000	52,086	21,086	-	-	-
63,500	106,769	43,269	-	-	-
804,996	1,023,072	218,076	417,096	350,684	(66,412)
502,115	476,345	25,770	-	-	-
328,504	338,506	(10,002)	-	-	-
-	-	-	-	-	-
185,329	131,787	53,542	-	-	-
25,073	24,163	910	-	-	-
-	-	-	-	-	-
7,385	7,385	-	-	-	-
-	2,349	(2,349)	7,500	6,060	1,440
-	-	-	-	-	-
-	-	-	-	-	-
35,000	50,675	(15,675)	-	-	-
-	-	-	-	-	-
-	-	-	320,000	320,000	-
-	-	-	118,475	118,993	(518)
1,083,406	1,031,210	52,196	445,975	445,053	922
(278,410)	(8,138)	270,272	(28,879)	(94,369)	(65,490)
-	4,306	4,306	-	-	-
5,000	50,000	45,000	-	-	-
-	-	-	-	-	-
-	(125,000)	(125,000)	-	-	-
-	(4,172)	(4,172)	-	-	-
-	-	-	-	-	-
5,000	(74,866)	(79,866)	-	-	-
(273,410)	(83,004)	190,406	(28,879)	(94,369)	(65,490)
57,414	57,414	-	-	-	-
362,542	362,542	-	679,120	679,120	-
\$ 146,546	\$ 336,952	\$ 190,406	\$ 650,241	\$ 584,751	\$ (65,490)

OBERLIN CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS) - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Taxes	\$ 236,178	\$ 225,209	\$ (10,969)
Tuition and fees	-	-	-
Interest	-	-	-
Intergovernmental	47,805	62,014	14,209
Extracurricular	-	-	-
Miscellaneous	-	-	-
Total revenues	283,983	287,223	3,240
Expenditures			
Current			
Instruction			
Regular	39,713	39,745	(32)
Special	-	-	-
Vocational education	-	-	-
Supporting services			
Pupil	-	-	-
Instructional	-	-	-
Board of education	-	-	-
Administration	-	-	-
Fiscal	4,000	4,695	(695)
Operation and maintenance	250,000	254,284	(4,284)
Pupil transportation	-	-	-
Central	-	-	-
Extracurricular			
Academic and subject oriented	-	-	-
Sports oriented	-	-	-
Co-curricular	-	-	-
Debt service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	293,713	298,724	(5,011)
Excess (deficiency) of revenues over expenditures	(9,730)	(11,501)	(1,771)
Other financing sources (uses)			
Operating transfers-in	-	-	-
Advances in	-	-	-
Refund of prior year's expenditures	-	-	-
Operating transfers-out	-	-	-
Advances out	-	-	-
Refund of prior year's receipts	-	-	-
Pass through	-	-	-
Total other financing sources (uses)	-	-	-
Excess (deficiency) of revenues over expenditures and other sources (uses)	(9,730)	(11,501)	(1,771)
Prior year encumbrances	117,006	117,006	-
Fund balance at beginning of year	168,371	168,371	-
Fund balance at end of year	\$ 275,647	\$ 273,876	\$ (1,771)

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

Totals
(Memorandum Only)

Budget	Actual	Variance Favorable (Unfavorable)
\$ 6,090,047	\$ 6,048,430	\$ (41,617)
13,677	14,015	338
193,023	245,404	52,381
3,349,509	3,586,220	236,711
31,000	52,086	21,086
139,701	123,483	(16,218)
9,816,957	10,069,638	252,681
4,294,421	4,215,141	79,280
1,192,362	1,037,657	154,705
95,297	80,630	14,667
881,011	784,382	96,629
222,523	208,423	14,100
81,142	76,255	4,887
938,015	858,953	79,062
292,461	312,070	(19,609)
1,096,515	1,063,639	32,876
330,309	289,534	40,775
99,262	64,473	34,789
31,638	27,180	4,458
137,404	143,375	(5,971)
14,303	12,447	1,856
379,200	379,200	-
142,096	142,614	(518)
10,227,959	9,695,973	531,986
(411,002)	373,665	784,667
-	4,306	4,306
130,000	175,000	(45,000)
2,500	47,633	45,133
(4,306)	(4,306)	-
(50,000)	(175,000)	(125,000)
-	(4,172)	(4,172)
(364,368)	-	364,368
(286,174)	43,461	329,635
(697,176)	417,126	1,114,302
403,346	403,346	-
2,490,570	2,490,570	-
\$ 2,196,740	\$ 3,311,042	\$ 1,114,302

OBERLIN CITY SCHOOL DISTRICT

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS —
ALL PROPRIETARY FUND TYPES

FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise
Operating revenues	
Charges for services	\$ 130,729
Total operating revenues	130,729
Operating expenses	
Salaries and wages	98,695
Fringe benefits	24,025
Purchased services	5,026
Supplies and materials	120,409
Depreciation	2,862
Total operating expenses	251,017
Operating (loss)	(120,288)
Nonoperating revenues	
Intergovernmental	120,357
Total nonoperating revenues	120,357
Net income	69
Retained earnings at beginning of year	72,660
Retained earnings at end of year	\$ 72,729

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

OBERLIN CITY SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS - ALL PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 1999

	Enterprise
Cash flows from operating activities:	
Operating (loss)	\$ (120,288)
Adjustments to reconcile net income to net cash provided by operating activities:	
Donated commodities, used	9,943
Depreciation	2,862
Changes in net assets (increase) decrease and liabilities increase (decrease)	
Inventories	237
Accounts and contracts payable	(50)
Accrued salaries and benefits	(6,673)
Due to other governments	5,367
Deferred revenue	(1,247)
Compensated absences payable	5,166
Total adjustments	15,605
Net cash (Used in) operating activities	(104,683)
Cash flows from non-capital financing activities:	
Intergovernmental revenue	110,414
Net cash provided by non-capital financing activities	110,414
Net increase in cash and cash equivalents	5,731
Pooled cash and equivalents, beginning of year	86,032
Pooled cash and equivalents, end of year	\$ 91,763

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

OBERLIN 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 Oberlin City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.02 of the Ohio Revised Code. The District operates under an elected Board of Education, consisting of five members, and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 1998 was 1,095. The District employs 100 certificated and 49 non-certificated employees.

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

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

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

Lake Erie Educational Computer Association - The District participates in the Lake Erie Educational Computer Association (LEECA). LEECA provides data services needed by the participating school districts. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Lake Erie Regional Council of Governments - The Lake Erie Regional Council of Governments (LERC) promotes cooperative agreements to its members in dealing with problems of mutual concern. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (continued)

Lorain County Joint Vocational School District - The Lorain County Joint Vocational School District is a distinct political subdivision of the State of Ohio. Oberlin City School District students may attend the vocational school district. This is a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

Ohio Schools Council of Governments - The Ohio Schools Council promotes cooperative agreements to its members in dealing with problems of mutual concern. This a jointly governed organization. The District's participation is disclosed in Note 18 to the financial statements.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accounts of the District are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds 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:

Governmental Fund Types

Governmental fund types are used to account for the District's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay obligations of the current period, which is considered to be sixty days.

OBERLIN 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 (continued)

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. Other revenues including uncollected tuition, fees, certain charges for services, and other miscellaneous revenues are recognized when received since they are generally not measurable until collected.

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

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

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

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

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

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 Board of Education has elected to apply only applicable FASB Statements and Interpretations issued before November 30, 1989 in its accounting and reporting practices for its proprietary operations.

OBERLIN 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 (continued)

Proprietary funds include the following fund type:

Enterprise Funds - used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs, including depreciation where applicable, of providing goods or services to the general public on a continuing basis 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.

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

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

Account Groups

The District maintains two account groups as described below:

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. DEPOSITS AND INVESTMENTS

For purposes of the statement of cash flows, the District considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The District pools its cash for investment and administration purposes. Deposit and investment procedures are restricted by the provisions of the Ohio Revised Code. Purchased investments and other cash equivalents are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest revenue credited to the general fund during fiscal year end amounted to \$ 232,493, which included interest assigned from other District funds.

C. RESTRICTED CASH

Restricted cash in the general fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State. A fund balance reserve has also been established.

D. RECEIVABLES

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

E. INVENTORIES

The costs of inventory items are recognized as expenditures when purchased in the governmental funds and recognized as expenses when used in the enterprise funds. For all funds, cost is determined on a first-in, first-out basis.

F. FIXED ASSETS AND DEPRECIATION

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. FIXED ASSETS AND DEPRECIATION (continued)

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

G. LONG-TERM LIABILITIES

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

H. UNPAID COMPENSATED ABSENCES

The entire estimated amount of unpaid compensated absences, including sick pay and vacation pay, of the proprietary type funds is reflected as a liability in the respective funds. The long-term portion of unpaid compensated absences related to governmental fund type operations is reflected in the general long-term debt account group.

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 vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit.

I. FUND EQUITY

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

J. TOTAL COLUMNS

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 2 SUMMARY OF SIGNIFIGANT ACCOUNTING POLICIES (continued)

K. USE OF ESTIMATES

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

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the object code 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 County Auditor, as Secretary of the County Budget Commission, by January 20 of each year for the ensuing July 1 to June 30 fiscal year.

Estimated Resources

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Estimated Resources (continued)

On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. Budget receipts, as shown in the accompanying "Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (non-GAAP budgetary basis) - All Governmental Fund Types" do not include July 1, 1998 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

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

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

Encumbrances

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

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

A. BUDGETARY PROCESS (continued)

Budgetary Reporting

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

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

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

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 606,000	\$ (83,004)	\$ (94,369)	\$ (11,501)
Adjustments, increase (decrease)				
Revenue accruals	(174,187)	41,163	(32,793)	(27,476)
Expenditure accruals	<u>336,440</u>	<u>285,237</u>	<u>-</u>	<u>23,152</u>
GAAP basis, as reported (deficit)	<u>\$ 768,253</u>	<u>\$ 243,396</u>	<u>\$ (127,162)</u>	<u>\$ (15,825)</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. BUDGETARY COMPLIANCE

The following funds had appropriations in excess of estimated revenues plus available balances (estimated resources) for the fiscal year ended June 30, 1999, contrary to Ohio Revised Code Section 5705.39:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
Special Revenue Funds:			
Title I	246,460	282,737	36,277
Miscellaneous Federal Grants	203,794	329,365	125,571

C. FUND EQUITY DEFICITS

Not apparent in the general purpose financial statements are deficit fund equity balances of \$ 14,965 in the Title VI B Fund, \$ 56,096 in the Title I Fund, and \$ 10,204 in the Drug Free Schools Fund. These deficit fund equity balances at year-end result from reflecting expenditures in accordance with the modified accrual basis which are substantially larger than the amounts recognized on the budget basis. The District, in accordance with its budget basis, will appropriate such expenditures from resources of the subsequent year.

NOTE 4 DEPOSITS AND INVESTMENTS

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

A. LEGAL REQUIREMENTS

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

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 4 DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS (continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation of debt of the District, and must be purchased with the expectation that it will be held until maturity.

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

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

B. DEPOSITS

At year-end, the carrying amount of the District's deposits was \$ 88,673 and the bank balance was \$ 336,069, all of which was covered by federal depository insurance or by collateral held by qualified third party trustees in the name of the District. Although the securities serving as collateral were held by the pledging financial institutions trust department or agent in the District's name and all State statutory requirements of the deposit of money has been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

C. INVESTMENTS

Investments are categorized to give an indication of the level of risk assumed by an entity at year-end. The District invests in STAROhio which is not classified by degree of credit risk since it is not evidenced by securities that exist in physical or book entry form. During fiscal year 1999, the District invested in the State Treasury Assets Reserve (STAROhio). STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the state to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment Company, but does operate in a manner consistent with Rule 2a7 of The Investment company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 1999. The District's interest in STAROhio has a carrying value and market value of \$ 3,896,554 at June 30, 1999.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 5 FIXED ASSETS

A. GENERAL FIXED ASSETS

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

	Balance, <u>July 1, 1998</u>	<u>Additions</u>	<u>Disposals</u>	Balance, <u>June 30, 1999</u>
Land and improvements	\$ 1,040,753	\$ -	\$ -	\$ 1,040,753
Buildings	10,248,608	-	-	10,248,608
Furniture and equipment	2,414,290	186,373	-	2,600,663
Vehicles	<u>555,955</u>	<u>-</u>	<u>-</u>	<u>555,955</u>
	<u>\$ 14,259,606</u>	<u>\$ 186,373</u>	<u>\$ -</u>	<u>\$ 14,445,979</u>

B. PROPRIETARY FUND TYPE FIXED ASSETS

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

<u>Enterprise</u>	Balance, <u>June 30, 1999</u>
Furniture and equipment	\$ 225,949
Less: accumulated depreciation	<u>(209,936)</u>
Net fixed assets	<u>\$ 16,013</u>

NOTE 6 DEFERRED REVENUE

Deferred revenue at year-end, consisted of:

Property taxes receivable	\$ 3,836,753
Federal funds received but not expended	51,234
Federal commodities, unused	<u>1,135</u>
	<u>\$ 3,889,122</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 7 GENERAL LONG-TERM DEBT

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

	<u>Outstanding, June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding, June 30, 1999</u>
Due to other governments	\$ 62,460	\$ 105,051	\$ 62,460	\$ 105,051
Bonds payable	1,814,400	-	379,200	1,435,200
Capital lease obligations	55,021	-	9,232	45,789
Compensated absences	<u>657,470</u>	<u>122,232</u>	<u>34,753</u>	<u>744,949</u>
	<u>\$ 2,589,351</u>	<u>\$ 227,283</u>	<u>\$ 485,645</u>	<u>\$ 2,330,989</u>

NOTE 8 DEBT SERVICE REQUIREMENTS

Debt service requirements to retire bonds payable outstanding at June 30, 1999, consisted of:

<u>Year ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 379,200	\$ 110,171	\$ 489,371
2001	379,200	78,247	457,447
2002	279,200	48,823	328,023
2003	279,200	21,898	301,098
2004	59,200	6,749	65,949
2005	<u>59,200</u>	<u>3,374</u>	<u>62,574</u>
Total	<u>\$ 1,435,200</u>	<u>\$ 269,262</u>	<u>\$ 1,704,462</u>

NOTE 9 BONDS PAYABLE

	<u>Outstanding, June 30, 1998</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding, June 30, 1999</u>
School improvement, (1992), 5.375% through 2000	\$ 300,000	\$ -	\$ 100,000	\$ 200,000
School construction, (1981), 11.75% through 2002	900,000	-	180,000	720,000
School construction, (1979), 6.30% through 2002	200,000	-	40,000	160,000
Energy conservation, (1996) 5.70% through 2005	<u>414,400</u>	<u>-</u>	<u>59,200</u>	<u>355,200</u>
Total bonds	<u>\$ 1,814,400</u>	<u>\$ -</u>	<u>\$ 379,200</u>	<u>\$ 1,435,200</u>

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 10 CAPITAL LEASE OBLIGATIONS

The District is obligated under certain leases accounted for as capital leases. The leased assets and related obligations are accounted for in the general fixed asset account group and the general long-term debt account group, respectively. The assets under capital leases totaled \$ 56,851 at June 30, 1999. The leases are in effect through 2004.

The following is a schedule of future minimum lease payments under capital leases together with the net present value of the minimum lease payments as of June 30, 1999.

Fiscal Year Ending <u>June 30.</u>	<u>Amount</u>
2000	\$ 13,361
2001	13,361
2002	13,361
2003	10,946
2004	<u>2,308</u>
Total minimum lease payment	53,337
Less: Amount representing interest	<u>(7,548)</u>
Net present value of minimum lease payments	<u>\$ 45,789</u>

NOTE 11 OPERATING LEASES

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights, and therefore, the results of the lease agreements are not reflected in the District's account groups. During 1999, expenditures for operating leases totaled \$ 36,540. The following schedule is of future minimum lease payments as of June 30, 1999.

Fiscal Year Ending <u>June 30.</u>	<u>Amount</u>
2000	\$ 36,540
2001	36,540
2002	36,540
2003	<u>12,180</u>
Total minimum lease payment	<u>\$ 121,800</u>

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 12 PROPERTY TAXES

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

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

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

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

The tax applied to real property collected in 1999 before certain homestead and rollback reductions, which reductions are reimbursed to the District by the State of Ohio, amounted to \$ 68.42 per \$ 1,000 of valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$ 31.24 per \$ 1,000 of assessed valuation for real property classified as residential/agricultural and \$ 35.49 per \$ 1,000 of assessed valuation for all other real property. The tax rate applied to tangible personal property for the current year ended June 30, 1999, was \$ 68.42 per \$ 1,000 of valuation. Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 1999.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 12 PROPERTY TAXES (continued)

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 1999 was \$ 749,602 which was recognized as revenue and as fund balance reserved for property taxes.

The property valuation consisted of:

Real Property - 1998	
Residential/Agricultural	\$ 84,569,010
Commercial/Industrial	30,151,660
Tangible Personal Property - 1999	
General	20,101,153
Public Utilities	<u>6,706,880</u>
Total valuation	<u>\$ 141,528,703</u>

NOTE 13 RISK MANAGEMENT

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

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

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 13 RISK MANAGEMENT (continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of GatesMcDonald & Co. provides administrative, cost control and actuarial services to the GRP.

The District has contracted with Lake Erie Regional Employee Protection Plan (LEEP) to provide medical/surgical, dental, vision, life insurance and accidental death and dismemberment insurance for its employees and their covered dependents. LEEP is a program administered by LERC (Lake Erie Regional Council). The LEEP is a shared risk pool comprised of thirteen school districts that provide public education within Lorain County. The Districts pay monthly contributions that are placed in a common fund from which eligible claims and expenses are paid for employees of participating school districts and their covered dependents. Claims are paid for all participants regardless of claims flow. This plan contains a stop-loss provision of \$ 165,000 per participant. The health insurance is through the Ohio Educational Employees Insurance Trust. The life insurance is term life with a limit of \$ 25,000 for classified employees and \$ 49,000 for certified employees through UNUM Life Insurance Company of America. The District opted for a three month premium holiday in fiscal year 1998.

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

NOTE 14 PENDING LITIGATION

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

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 15 INTERFUND TRANSACTIONS

Interfund balances at June 30, 1999, consist of the following fund receivables and payables:

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

NOTE 16 PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer 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, stand-alone financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by SERS Retirement Board. The District's contributions to SERS for the years ended June 30, 1999, 1998, and 1997 were \$ 167,000, \$ 163,000, and \$ 145,000, respectively. The District paid the required contributions for fiscal years 1998 and 1997. For fiscal year 1999, 49 % has been contributed with the remainder being recorded as a fund liability within the respective funds and the general long-term debt account group.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 16 PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%. 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 contribution to STRS for the years ended June 30, 1999, 1998, and 1997 were \$ 599,000, \$ 621,000, and \$ 730,600, respectively. The District paid the required contributions for fiscal years 1998 and 1997. For fiscal year 1999, 83% has been contributed with the remainder being recorded as a liability within the respective funds.

NOTE 17 POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1998 (the latest information available) the allocation rate was 4.98%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1998 the minimum pay had been established as \$ 12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 125% of annual health care expenses. Expenses for health care at June 30, 1998 were \$ 111,900,575 and the target level was \$ 139.9 million. At June 30, 1998, the Retirement System's net assets available for payment of health care benefits was \$ 160.3 million, at cost.

The number of participants currently receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$ 73,800.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 17 POSTEMPLOYMENT BENEFITS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

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

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

The Board currently allocates employer contributions equal to 2% of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. However, for the fiscal year ended June 30, 1998 (the latest information available), the board allocated employer contributions equal to 3.5% of covered payroll to the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$ 2,156 million at June 30, 1998. The Health Care Reserve Fund allocation for the year ended June 30, 1999 is 8% of covered payroll.

For the year ended June 30, 1998, the net health care costs paid by STRS were \$ 219,224,000. There were 91,999 eligible benefit recipients.

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA)

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

A. LAKE ERIE EDUCATIONAL COMPUTER ASSOCIATION (LEECA) (continued)

Each of the governments of these districts supports LEECA based upon a per pupil charge dependent upon the software package utilized. The LEECA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. LEECA is governed by a board of directors chosen from the general membership of the LEECA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County, which serves as fiscal agent, located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1999 the District paid approximately \$ 111,000 to LEECA for basic service charges.

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

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

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. LERC is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 1999 the District paid approximately \$ 542,400 to LERC.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

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

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 18 JOINTLY GOVERNED ORGANIZATIONS (continued)

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT (continued)

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

D. OHIO SCHOOL COUNCIL OF GOVERNMENTS

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

The Ohio Schools Council assembly consists of a superintendent of designated representative from each participating district and the fiscal agent. Ohio Schools council is governed by a board of directors chosen from the general membership. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Ohio schools Council located at 6376 Mill Road, Broadview Heights, Ohio 44147. During the year ended June 30, 1999 the district paid approximately \$ 800 to the Ohio Schools Council.

NOTE 19 CONTINGENT LIABILITIES

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

NOTE 20 CONTRACTUAL COMMITMENTS

At June 30, 1999 the District had contractual commitments totaling \$ 53,548; \$ 28,287 for capital improvements and \$ 25,261 for telecommunications.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 21 SEGMENT INFORMATION - ENTERPRISE FUNDS

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

	<u>Food Services</u>	<u>Latchkey</u>	<u>Total</u>
Operating revenues	\$ 130,729	\$ -	\$ 130,729
Operating expenses			
Salaries and wages	98,695	-	98,695
Fringe benefits	24,025	-	24,025
Purchased services	5,026	-	5,026
Supplies and materials	120,409	-	120,409
Depreciation	2,862	-	2,862
Total operating expenses	<u>251,017</u>	<u>-</u>	<u>251,017</u>
Operating (loss)	(120,288)	-	(120,288)
Nonoperating revenues	<u>120,357</u>	<u>-</u>	<u>120,357</u>
Net income	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ 69</u>
Other information			
Net working capital	<u>\$ 67,436</u>	<u>\$ 1,184</u>	<u>\$ 68,620</u>
Total assets	<u>\$ 110,568</u>	<u>\$ 1,184</u>	<u>\$ 111,752</u>
Total equity	<u>\$ 71,545</u>	<u>\$ 1,184</u>	<u>\$ 72,729</u>

NOTE 22 STATE SCHOOL FUNDING DECISION

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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 1999, the District received \$ 2,360,180 of school foundation support all of which was recorded in its general fund.

OBERLIN CITY SCHOOL DISTRICT
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
 JUNE 30, 1999

NOTE 22 STATE SCHOOL FUNDING DECISION (continued)

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.

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 add in its financial operations.

NOTE 23 STATUTORY RESERVES

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

	<u>Reserves</u>			<u>Total</u>
	<u>Textbook</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>	
Balance, July 1, 1998	\$ -	\$ -	\$ 46,555	\$ 46,555
Required set-aside	148,510	148,510	324,719	621,739
Offset credits	-	(148,510)	-	(148,510)
Qualifying expenditures	(148,510)	-	-	(148,510)
Balance, June 30, 1999	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 371,274</u>	<u>\$ 371,274</u>

Qualifying expenditures and offset credits for capital maintenance during the year were \$ 564,395 and qualifying expenditures for textbooks were \$ 187,951, which exceeded the required set-aside and the reserve balance.

OBERLIN CITY SCHOOL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 24 YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect Oberlin City School District's operations.

The Oberlin City School District has completed an inventory of computer systems and other equipment necessary to conduct District operations and identified such systems as being financial reporting, payroll and grant reporting. The District has been advised by the external service organization that manages the financial reporting, payroll and grant reporting systems that these systems have been tested and validated.

Property tax billing, collecting and remittance for the District is handled by Lorain County. The County is responsible for remediating these system, and is solely responsible for any costs associated.

Oberlin Municipal Light and Power (OMLP) provides the electric service to the District. The District has not obtained assurances form OMLP regarding remediating this system. OMLP is responsible for remediating this system, and is solely responsible for any costs associated.

The City of Oberlin provides water and sewer services to the District and Columbia gas provides gas service. The City of Oberlin and Columbia Gas are responsible for remediating these systems, and are solely responsible for any additional costs associated.

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 year 2000 and thereafter, management cannot assure that the Oberlin City School District is year 2000 ready and 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 compliant.

OBERLIN CITY SCHOOL DISTRICT

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

Federal Program	CFDA #	Pass-through Entity Identifying Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
United States Department Of Education						
Passed-through Ohio Department of Education						
Special Education Cluster:						
Special Education - Grants to States	84.027	6B-SF 99 P	\$101,948	0	\$97,539	0
Special Education - Preschool Grants	84.173	PG-S1 99 P	8,619	0	1,038	0
Total Special Education Cluster			<u>110,567</u>	<u>0</u>	<u>98,577</u>	<u>0</u>
Title 1 Grants to Local Educational Agencies	84.010	C1-S1 99	333,328	0	297,195	0
Learn and Serve America-School and Community Based	94.004	SV-S3 99	10,000	0	10,000	0
Goals 2000-State and Local Education Systemic Improvem	84.276	G2-S1 97 C	(1,402)	0	15,446	0
Technology Literacy Challenge Fund Grants	84.318	TF-S2 99 P	162,500	0	272,184	0
School to Work Program	84.XXX	WK-BE 00	5,000	0	1,225	0
Innovative Education Program Strategies	84.298	C2-S1 99	4,165	0	3,012	0
Eisenhower Professional Development State Grant	84.281	MS-S1 98/99	6,601	0	4,133	0
Safe and Drug-Free Schools and Communities-State Grant	84.186	DR-S1 99	<u>4,373</u>	<u>0</u>	<u>14,657</u>	<u>0</u>
Total United States Department of Education			<u>635,132</u>	<u>0</u>	<u>716,429</u>	<u>0</u>
United States Department Of Agriculture						
Passed-through Ohio Department of Education						
Child Nutrition Cluster:						
National School Lunch Program	10.555	03/04-PU 00	90,516	0	90,518	0
National School Breakfast Program	10.553	05-PU 00	12,494	0	12,494	0
Food Distribution Program	10.550	N/A	0	\$9,943	0	\$9,943
Total Child Nutrition Cluster/Total United States Department of Agriculture			<u>103,010</u>	<u>9,943</u>	<u>103,010</u>	<u>9,943</u>
Totals			<u>\$738,142</u>	<u>\$9,943</u>	<u>\$819,439</u>	<u>\$9,943</u>

The notes to the Schedule are an integral part of the Schedule.

Oberlin City School District
Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 1999

NOTE A -- BASIS OF PRESENTATION

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

NOTE B -- FOOD DISTRIBUTION

Nonmonetary assistance received from the U.S. Department of Agriculture is reported in the Schedule at the fair market value of the food commodities received and consumed. The value of the District's food commodities inventory at June 30, 1999 is reported as Inventory held for Resale.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**Report on Compliance and on Internal Control
Required by *Government Auditing Standards***

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

To the Board of Education:

We have audited the financial statements of the Oberlin City School District, Lorain County, Ohio, (District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 20, 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* which is described in the accompanying Schedule of Findings as item 1999-10847-001. We also noted certain immaterial instances of noncompliance that we have reported to management of District in a separate letter dated December 20, 1999.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 20, 1999.

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

A handwritten signature in black ink, appearing to read "Jim Petro", is written over the typed name and title.

JIM PETRO
Auditor of State

December 20, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**Report on Compliance with Requirements Applicable to the Major
Federal Program and Internal Control over Compliance
in Accordance with OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Oberlin City School District, Lorain County, Ohio, (District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 1999. The District's major federal program is identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to the major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Oberlin City School District, Lorain County, Ohio, complied, in all material respects, with the requirements referred to above that are applicable to a 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.

Internal Control Over Compliance

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

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

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



JIM PETRO
Auditor of State

December 20, 1999

Oberlin City School District
Schedule of Findings
 For the Fiscal Year Ended June 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS

A -133 § .505

(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)?	No
(d)(1)(iii)	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)(iv)	Were there any other reportable 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 § .510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Fund, CFDA No. 84.318
(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**

Finding Number	1998-10818-001
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Ohio Rev. Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue from that fund. For the 1999 fiscal year, the following funds had appropriations in excess of estimated revenues (plus available balances).

		<u>Estimated</u>	<u>Appropriations</u>	<u>Excess</u>	<u>Percent</u>
		<u>Resources</u>			
<i>Special Revenue Funds:</i>					
	Title 1	\$246,460	\$282,737	\$(36,277)	14.72%
	Miscellaneous Federal Grants	\$203,794	\$329,365	\$(125,571)	61.62%

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None.



STATE OF OHIO
OFFICE OF THE AUDITOR

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OBERLIN CITY SCHOOL DISTRICT

LORAIN COUNTY

CLERK'S CERTIFICATION

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

By: Susan Babbitt

JAN 11 2000

Date: _____