



**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Fostoria City School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Fostoria City School District, Seneca, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

January 25, 2002

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$714,583	\$564,564	\$798,241	\$189,857
Equity in pooled cash and cash equivalents - nonexpendable trust fund				
Receivables (net of allowances of uncollectibles):				
Taxes - current and delinquent	6,975,507		981,323	304,891
Accounts	2,914	48		
Accrued interest				
Due from other governments		169,628		5,600
Interfund loans receivable	73,000			
Prepayments	18,205			
Materials and supplies inventory	30,761			
Restricted assets:				
Equity in pooled cash and cash equivalents	89,109			
Fixed assets (net of accumulated depreciation where applicable)				
Other debits:				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
Total assets and other debits	\$7,904,079	\$734,240	\$1,779,564	\$500,348

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$7,636	\$26,623	\$120,098			\$2,421,602
		37,322			37,322
					8,261,721
					2,962
		145			145
					175,228
					73,000
					18,205
10,728					41,489
					89,109
211,553			\$26,503,757		26,715,310
				\$914,311	914,311
				9,577,067	9,577,067
\$229,917	\$26,623	\$157,565	\$26,503,757	\$10,491,378	\$48,327,471

(Continued)

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2001
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$5,781	\$6,427		\$5,484
Accrued wages and benefits	1,419,511	167,601		
Compensated absences payable	56,061	128		
Pension obligation payable	280,574	20,526		
Interfund loans payable		17,000		56,000
Deferred revenue	6,205,671	17,362	\$865,253	273,475
Due to students				
General obligation bonds payable				
Loans payable				
Capital lease obligation				
Total liabilities	<u>7,967,598</u>	<u>229,044</u>	<u>865,253</u>	<u>334,959</u>
Equity and other credits:				
Investment in general fixed assets				
Retained earnings: unreserved				
Fund balances:				
Reserved for encumbrances	263,736	145,722		3,766
Reserved for prepayments	18,205			
Reserved for materials and supplies inventory	30,761			
Reserved for debt service			840,340	
Reserved for tax revenue unavailable for appropriation	502,480		73,971	22,152
Reserved for principal endowment				
Reserved for budget stabilization	89,109			
Unreserved-undesignated (deficit)	(967,810)	359,474		139,471
Total equity and other credits	<u>(63,519)</u>	<u>505,196</u>	<u>914,311</u>	<u>165,389</u>
Total liabilities, equity and other credits	<u>\$7,904,079</u>	<u>\$734,240</u>	<u>\$1,779,564</u>	<u>\$500,348</u>

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
					\$17,692
\$16,533					1,603,645
14,769				\$1,055,558	1,126,516
9,953				177,626	488,679
					73,000
8,350		\$145			7,370,256
		48,532			48,532
				8,198,505	8,198,505
				606,689	606,689
				453,000	453,000
49,605		48,677		10,491,378	19,986,514
			\$26,503,757		26,503,757
180,312	\$26,623				206,935
					413,224
					18,205
					30,761
					840,340
					598,603
		37,322			37,322
					89,109
		71,566			(397,299)
180,312	26,623	108,888	26,503,757		28,340,957
\$229,917	\$26,623	\$157,565	\$26,503,757	\$10,491,378	\$48,327,471

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
From local sources:		
Taxes	\$7,026,111	
Tuition	18,536	\$51,748
Earnings on investments	235,467	5,782
Extracurricular activities		207,893
Gifts and donations	59,027	48,606
Other local revenues	246,133	67,072
Other revenue	19,178	
Intergovernmental - State	8,345,057	1,213,760
Intergovernmental - Federal	68,462	1,565,289
Total revenues	<u>16,017,971</u>	<u>3,160,150</u>
Expenditures:		
Current:		
Instruction:		
Regular	6,827,440	436,161
Special	1,502,707	551,718
Vocational	229,957	
Other	520,704	88,586
Support services:		
Pupil	1,004,268	157,648
Instructional staff	989,034	523,747
Board of Education	18,264	
Administration	1,433,036	147,038
Fiscal	400,886	6,133
Business	243,640	
Operations and maintenance	1,802,161	12,921
Pupil transportation	687,449	21,218
Central	143,569	157,609
Community services	10,386	112,764
Extracurricular activities	351,691	125,778
Facilities acquisition and construction	8,065	1,974
Intergovernmental pass-through		314,512
Capital outlay	453,000	
Debt service:		
Principal retirement	115,321	
Interest and fiscal charges	34,341	
Total expenditures	<u>16,775,919</u>	<u>2,657,807</u>
Excess of revenues over (under) expenditures	<u>(757,948)</u>	<u>502,343</u>
Other financing sources (uses):		
Operating transfers in	44,000	
Operating transfers out	(60,774)	
Proceeds from sale of fixed assets	17,224	
Proceeds from capital lease transaction	453,000	
Total other financing sources (uses)	<u>453,450</u>	
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(304,498)</u>	<u>502,343</u>
Fund balances, July 1 (restated)	238,997	2,853
Increase in reserve for inventory	1,982	
Fund balances (deficit), June 30	<u><u>(\$63,519)</u></u>	<u><u>\$505,196</u></u>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$1,056,376	\$283,883		\$8,366,370
	3,278	\$7,994	70,284
			252,521
		1,800	207,893
			109,433
			313,205
			19,178
81,233	183,766		9,823,816
			1,633,751
1,137,609	470,927	9,794	20,796,451
	8,166		7,271,767
			2,054,425
			229,957
			609,290
	96,860		1,161,916
			1,609,641
			18,264
			1,580,074
22,171	6,934		436,124
			243,640
	115		1,815,197
			708,667
			301,178
			123,150
		3,500	480,969
	286,885		296,924
			314,512
			453,000
531,786			647,107
341,672			376,013
895,629	398,960	3,500	20,731,815
241,980	71,967	6,294	64,636
60,774			104,774
	(44,000)		(104,774)
	11,707		28,931
			453,000
60,774	(32,293)		481,931
302,754	39,674	6,294	546,567
611,557	125,715	65,272	1,044,394
			1,982
\$914,311	\$165,389	\$71,566	\$1,592,943

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
From local sources:			
Taxes	\$6,883,132	\$6,865,956	(\$17,176)
Tuition	16,000	20,789	4,789
Earnings on investments	185,000	179,674	(5,326)
Extracurricular			
Gifts and donations	45,000	59,027	14,027
Other local revenues	248,597	248,658	61
Other revenue	17,700	19,178	1,478
Intergovernmental - State	8,320,957	8,345,057	24,100
Intergovernmental - Federal	70,000	68,462	(1,538)
Total revenues	<u>15,786,386</u>	<u>15,806,801</u>	<u>20,415</u>
Expenditures:			
Current:			
Instruction:			
Regular	7,257,733	6,861,280	396,453
Special	1,553,275	1,548,669	4,606
Vocational	254,435	252,727	1,708
Other	404,981	533,836	(128,855)
Support services:			
Pupil	1,007,428	1,015,313	(7,885)
Instructional staff	1,123,413	997,867	125,546
Board of Education	19,554	20,159	(605)
Administration	1,474,771	1,456,661	18,110
Fiscal	377,235	376,095	1,140
Business	259,307	259,075	232
Operations and maintenance	1,811,937	1,830,520	(18,583)
Pupil transportation	763,501	693,797	69,704
Central	150,129	137,682	12,447
Community services	19,888	17,063	2,825
Extracurricular activities	367,787	354,094	13,693
Facilities acquisition and construction	56,364	46,173	10,191
Pass-through intergovernmental			
Debt service:			
Principal retirement	108,994	108,994	
Interest and fiscal charges	33,962	33,962	
Total expenditures	<u>17,044,694</u>	<u>16,543,967</u>	<u>500,727</u>
Excess of revenues over (under) expenditures	<u>(1,258,308)</u>	<u>(737,166)</u>	<u>521,142</u>
Other financing sources (uses):			
Refund of prior year's expenditures	25,000	11,876	(13,124)
Refund of prior year's receipts			
Operating transfers in	81,206	81,206	
Operating transfers out	(97,980)	(97,980)	
Advances in	108,171	152,171	44,000
Advances out	(76,400)	(72,000)	4,400
Proceeds from sale of fixed assets	10,500	17,223	6,723
Proceeds from sale of notes	450,000		(450,000)
Total other financing sources (uses)	<u>500,497</u>	<u>92,496</u>	<u>(408,001)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(757,811)</u>	<u>(644,670)</u>	<u>113,141</u>
Fund balances, July 1	651,289	651,289	
Prior year encumbrances appropriated	529,896	529,896	
Fund balances, June 30	<u>\$423,374</u>	<u>\$536,515</u>	<u>\$113,141</u>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$1,000,648	\$1,026,696	\$26,048
\$57,308	\$51,748	(\$5,560)			
18	5,782	5,764			
269,905	181,475	(88,430)			
87,091	48,606	(38,485)			
55,600	61,490	5,890			
1,227,368	1,214,701	(12,667)	84,000	81,233	(2,767)
1,673,476	1,446,023	(227,453)			
3,370,766	3,009,825	(360,941)	1,084,648	1,107,929	23,281
521,504	473,717	47,787			
595,399	561,180	34,219			
89,158	87,653	1,505			
158,543	169,354	(10,811)			
689,227	558,627	130,600			
221,559	163,338	58,221			
6,206	6,226	(20)	18,200	20,156	(1,956)
500		500			
13,976	13,976				
22,079	22,079				
186,092	178,833	7,259			
132,186	113,479	18,707			
151,077	134,317	16,760			
2,000	1,973	27			
373,256	342,211	31,045			
			531,786	531,786	
			343,886	341,672	2,214
3,162,762	2,826,963	335,799	893,872	893,614	258
208,004	182,862	(25,142)	190,776	214,315	23,539
(1,992)	(1,992)				
44,362	29,627	(14,735)	60,774	60,774	
(30,162)	(29,627)	535			
16,000	16,000				
(140,895)	(140,895)				
(112,687)	(126,887)	(14,200)	60,774	60,774	
95,317	55,975	(39,342)	251,550	275,089	23,539
107,288	107,288		523,152	523,152	
249,152	249,152				
\$451,757	\$412,415	(\$39,342)	\$774,702	\$798,241	\$23,539

(Continued)

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
From local sources:			
Taxes	\$284,181	\$272,786	(\$11,395)
Tuition			
Earnings on investments	3,000	3,277	277
Extracurricular			
Gifts and donations			
Other local revenues			
Other revenue			
Intergovernmental - State	192,200	183,766	(8,434)
Intergovernmental - Federal			
Total revenues	<u>479,381</u>	<u>459,829</u>	<u>(19,552)</u>
Expenditures:			
Current:			
Instruction:			
Regular	18,092	8,167	9,925
Special			
Vocational			
Other			
Support services:			
Pupil			
Instructional staff	115,200	94,487	20,713
Board of Education			
Administration			
Fiscal	6,000	6,223	(223)
Business			
Operations and maintenance			
Pupil transportation			
Central			
Community services			
Extracurricular activities			
Facilities acquisition and construction	317,480	294,765	22,715
Pass-through intergovernmental			
Debt service:			
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>456,772</u>	<u>403,642</u>	<u>53,130</u>
Excess of revenues over (under) expenditures	<u>22,609</u>	<u>56,187</u>	<u>33,578</u>
Other financing sources (uses):			
Refund of prior year's expenditures			
Refund of prior year's receipts			
Operating transfers in	132,000	44,000	(88,000)
Operating transfers out	(44,000)	(44,000)	
Advances in	5,600	56,000	50,400
Advances out	(55,276)	(55,276)	
Proceeds from sale of fixed assets	15,500	11,707	(3,793)
Proceeds from sale of notes			
Total other financing sources (uses)	<u>53,824</u>	<u>12,431</u>	<u>(41,393)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	76,433	68,618	(7,815)
Fund balances, July 1	(3,182)	(3,182)	
Prior year encumbrances appropriated	115,171	115,171	
Fund balances, June 30	<u>\$188,422</u>	<u>\$180,607</u>	<u>(\$7,815)</u>

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

Total (Memorandum only)

Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$8,167,961	\$8,165,438	(\$2,523)
73,308	72,537	(771)
188,018	188,733	715
269,905	181,475	(88,430)
132,091	107,633	(24,458)
304,197	310,148	5,951
17,700	19,178	1,478
9,824,525	9,824,757	232
1,743,476	1,514,485	(228,991)
20,721,181	20,384,384	(336,797)
7,797,329	7,343,164	454,165
2,148,674	2,109,849	38,825
254,435	252,727	1,708
494,139	621,489	(127,350)
1,165,971	1,184,667	(18,696)
1,927,840	1,650,981	276,859
19,554	20,159	(605)
1,696,330	1,619,999	76,331
407,641	408,700	(1,059)
259,807	259,075	732
1,825,913	1,844,496	(18,583)
785,580	715,876	69,704
336,221	316,515	19,706
152,074	130,542	21,532
518,864	488,411	30,453
375,844	342,911	32,933
373,256	342,211	31,045
640,780	640,780	
377,848	375,634	2,214
21,558,100	20,668,186	889,914
(836,919)	(283,802)	553,117
25,000	11,876	(13,124)
(1,992)	(1,992)	
318,342	215,607	(102,735)
(172,142)	(171,607)	535
129,771	224,171	94,400
(272,571)	(268,171)	4,400
26,000	28,930	2,930
450,000		(450,000)
502,408	38,814	(463,594)
(334,511)	(244,988)	89,523
1,278,547	1,278,547	
894,219	894,219	
\$1,838,255	\$1,927,778	\$89,523

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating revenues:				
Tuition and fees	\$3,922			\$3,922
Sales/charges for services	350,752	\$8,489		359,241
Interest revenue			\$4,379	4,379
Other operating revenues			5,000	5,000
Total operating revenues	<u>354,674</u>	<u>8,489</u>	<u>9,379</u>	<u>372,542</u>
Operating expenses:				
Personal services	387,959	1,215		389,174
Contract services	10,113	1,298		11,411
Materials and supplies	385,613			385,613
Depreciation	16,828			16,828
Other operating expenses			3,500	3,500
Total operating expenses	<u>800,513</u>	<u>2,513</u>	<u>3,500</u>	<u>806,526</u>
Operating income (loss)	<u>(445,839)</u>	<u>5,976</u>	<u>5,879</u>	<u>(433,984)</u>
Nonoperating revenues:				
Operating grants	373,843			373,843
Interest revenue		247		247
Federal donated commodities	56,883			56,883
Total nonoperating revenues	<u>430,726</u>	<u>247</u>		<u>430,973</u>
Net income (loss)	(15,113)	6,223	5,879	(3,011)
Retained earnings/fund balance, July 1 (restated)	195,425	20,400	31,443	247,268
Retained earnings/fund balance, June 30	<u>\$180,312</u>	<u>\$26,623</u>	<u>\$37,322</u>	<u>\$244,257</u>

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

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	Proprietary Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
Cash flows from operating activities:				
Cash received from tuition and fees	\$3,922			3,922
Cash received from sales/service charges	351,733	\$3,001		354,734
Cash received from other operations			\$5,000	5,000
Cash payments for personal services	(388,187)	(1,215)		(389,402)
Cash payments for contract services	(10,113)	(1,298)		(11,411)
Cash payments for materials and supplies	(323,360)			(323,360)
Cash payments for other expenses			(3,500)	(3,500)
Net cash provided (used) by operating activities	(366,005)	488	1,500	(364,017)
Cash flows from noncapital financing activities:				
Cash received from operating grants	374,185			374,185
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(7,985)			(7,985)
Cash flows from investing activities:				
Interest received		247	4,379	4,626
Net increase in cash and cash equivalents	195	735	5,879	6,809
Cash and cash equivalents at beginning of year	7,441	25,888	31,443	64,772
Cash and cash equivalents at end of year	\$7,636	\$26,623	\$37,322	\$71,581
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	(\$445,839)	\$5,976	\$5,879	(\$433,984)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	16,828			16,828
Federal donated commodities used	56,883			56,883
Interest reported as operating income			(4,379)	(4,379)
Changes in assets and liabilities:				
Decrease in accounts receivable	981			981
Decrease in materials and supplies inventory	17,109			17,109
Decrease in accounts payable	(53)			(53)
Increase in accrued wages and benefits	1,553			1,553
Decrease in compensated absences payable	(846)			(846)
Decrease in claims payable		(5,488)		(5,488)
Decrease in pension obligation payable	(935)			(935)
Decrease in deferred revenue	(11,686)			(11,686)
Net cash provided (used) by operating activities	(\$366,005)	\$488	\$1,500	(\$364,017)

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

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Fostoria City School District (the District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established in 1856 through the consolidation of existing land areas and school districts. The District serves an area of approximately 32 square miles. It is located in Seneca County, but also encompasses portions of Hancock and Wood Counties and includes all of the City of Fostoria. The District is the 215th largest in the State of Ohio (among 680 public and community school districts) in terms of enrollment. It is staffed by 145 non-certificated employees and 218 certificated full-time teaching personnel who provide services to 2,455 students and other community members. The District currently operates six instructional buildings, one administrative building, and three garages.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general-purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units.

The basic, but not the only, criterion for including a potential component unit within the reporting entity is the District's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units. The following organizations are described due to their relationship with the District.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

PUBLIC ENTITY RISK POOLS

North Central Ohio Joint Self-Insurance Association ("Association")

The Association is a public entity risk pool consisting of the North Central Ohio Educational Service Center, the Sandusky County Educational Service Center, and five local school districts - Tiffin, Old Fort, Bettsville, Seneca East, and New Riegel. The Association was established pursuant to Section 9.833, Ohio Revised Code, in order to act as a common risk management and insurance program. The Association's Board of Directors is comprised of one member from each of the local school districts, the North Central Ohio Educational Service Center, and the Sandusky County Educational Service Center. The North Central Ohio Educational Service Center acts as fiscal agent to the Association. Refer to Note 12 for further information on this public entity risk pool.

Ohio School Boards Association Workers' Compensation Group Rating Program

The District participates in a group rating plan for workers' compensation as established in Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Program (GRP) was established as an insurance purchasing pool. The GRP is governed by a three-member Board of Directors. 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. Refer to Note 12.C. for further information on this group rating plan.

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association (NOECA)

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight public school districts formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, the chairman of each of the operating committees, and a representative from the fiscal agent. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Vanguard-Sentinel Career Centers

The Vanguard-Sentinel Career Centers are a distinct political subdivision of the State of Ohio which provides vocational education to students. The Vanguard-Sentinel Career Centers are operated under the direction of a Board consisting of one representative from the Seneca East Local School District, one representative from twelve other participating school districts, and two representatives from the Fremont City School District. The degree of control exercised by any participating school district is limited to its representation on the Board. The Vanguard-Sentinel Career Centers are its own budgeting and taxing authority. Financial information can be obtained from Jay Valasek, Vanguard-Sentinel Career Centers, 1306 Cedar Street, Fremont, Ohio 43420.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

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

PROPRIETARY FUNDS

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

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

The modified accrual basis of accounting is followed for all governmental funds, expendable trust, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the recognition of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds and nonexpendable trust funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds except agency funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Seneca County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal year 2001.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at fund and function level of expenditures for the general fund and at the fund level of expenditures for all other budgeted funds.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for proprietary fund types at fiscal year end and Note 13 discloses the encumbrances outstanding for the enterprise funds.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to STAR Ohio, repurchase agreements and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2001 amounted to \$235,467, of which \$129,799 was assigned to other District funds.

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

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

F. 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 consists 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.

G. Prepaids

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

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair value as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to the enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years.

I. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development
Data Communications for School Buildings
Adult Basic Education
Eisenhower Grant
Auxiliary Services
Education Management Information Systems
Public School Preschool
Disadvantaged Pupil Impact Aid
Title I
Title VI
Title VI-B
Drug-Free Schools
Professional Development Block Grant
Preschool Grant
Latchkey Program
SchoolNet Professional Development
Ohio Reads
Summer Intervention

Non-Reimbursable Grants (Continued)

Special Revenue Funds (Continued)

Career Technology Grant
Alternative Challenge
Extended Learning Opportunity
Tech Prep Expanded Enrollment
Character Education
Literacy Specialist
C/P Grant
Making Schools Work
School to Work Grant
Career Tech Connections

Capital Projects Funds

SchoolNet

Reimbursable Grants

General Fund

Driver Education

Enterprise Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

**FOSTORIA CITY SCHOOL DISTRICT
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

Grants and entitlements amounted to approximately 55% of the District's operating revenue during the 2001 fiscal year.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences," a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with twenty or more years of current service with the District, or age forty-five with fifteen years of service, or age fifty with ten years of service with the District were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

K. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

L. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, tax revenue unavailable for appropriation, principal endowment, debt service and budget stabilization. Although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of principal endowment. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve

**FOSTORIA CITY SCHOOL DISTRICT
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**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

for property tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

M. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

O. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

P. Memorandum Only - Total Columns

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

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statements No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," and No. 36, "Recipient Reporting for Certain Shared Nonexchange Transactions," were implemented during fiscal 2001. These statements pertain to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of these statements had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Prior Period Adjustment

In prior years, the District advanced monies from the general fund to various other funds to subsidize their activities. These advances have been reclassified as operating transfers as they were not intended to be repaid. The effect of this adjustment on fund balances/retained earnings, as previously reported, is as follows:

	General	Special Revenue	Enterprise
Fund balance retained earnings, as previously reported as of June 30, 2000	\$276,703	\$3,925	\$158,219
Restatement	(37,706)	(1,072)	37,206
Fund balance/retained earnings as of July 1, 2000	\$238,997	\$2,853	\$195,425

The effect of these adjustments on Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses/ Net Loss as previously reported is as follows:

	General	Special Revenue	Enterprise
As previously reported for the year ended June 30, 2000	(\$1,023,517)	(\$21,176)	(\$18,479)
Restatement	(37,706)	(1,072)	37,206
Excess/Net Income as Restated	(\$1,061,223)	(\$22,248)	\$18,727

C. Deficit Fund Balances

Fund balances at June 30, 2001 included the following fund deficits:

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	<u>Deficit Balance</u>
General Fund	\$63,519
<u>Special Revenue Fund</u>	
Disadvantaged Pupil Impact Aid	26,003
<u>Capital Projects Fund</u>	
Disability Access Grant	5,600

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit fund balance in the general fund is caused primarily by the reporting of liabilities for accrued wages, benefits and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Disadvantaged Pupil Impact Aid special revenue fund is caused by accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Disability Access Grant capital projects fund is a result of the application of GAAP, namely in the recognition of an interfund loan as a fund liability, rather than as an "other financing source." This deficit will be eliminated by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

D. Compliance

Ohio Revised Code § 5705.10 requires that money paid into a fund must be used only for the purpose for which such fund has been established. Several funds had negative fund cash balances at different times throughout the year.

Ohio Revised Code § 5705.36 allows the District to request increased amended certificates of estimated resources and reduced amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The District did not obtain amended certificates.

Ohio Revised Code § 5705.39 states that appropriations from each fund should not exceed the total estimated revenue. Several funds had appropriations in excess of estimated revenue for the month of March 31, 2001.

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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.

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

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

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling

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are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand: At fiscal year end, the District had \$6,150 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

Deposits: At year end, the carrying amount of the District's deposits, including non-negotiable certificates of deposit, was \$197,449 and the bank balance, including non-negotiable certificates of deposit, was \$233,149. Of the bank balance:

1. \$224,250 was covered by federal depository insurance.
2. \$8,899 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name.

	Category 3	Reported Amount	Fair Value
Repurchase agreement	<u>\$94,373</u>	\$94,373	\$94,373
Investment in STAR Ohio		2,250,061	2,250,061
Total investments		<u>\$2,344,434</u>	<u>\$2,344,434</u>

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

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$2,548,033	
Cash on hand	(6,150)	
Investments of the cash management pool:		
Repurchase agreement	(94,373)	\$94,373
Investments in STAR Ohio	(2,250,061)	2,250,061
GASB Statement No. 3	\$197,449	\$2,344,434

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	Transfers In	Transfers Out
General Fund	\$44,000	\$60,744
Debt Service Fund	60,771	
Capital Projects Fund:		
Permanent Improvement		44,000
Totals	\$104,771	\$104,744

B. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	Interfund Receivable	Interfund Payable
General Fund	\$73,000	
Special Revenue Funds:		
Athletic		\$1,000
Making Schools Work		16,000
Capital Projects Funds:		
Disability Access Grant		56,000
Totals	\$73,000	\$73,000

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market

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value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 2000 taxes were collected was \$213,585,694. Agricultural/Residential and public utility real estate represented 49.81% or \$106,380,140 of this total; Commercial and industrial real estate represented 19.49% or \$41,639,780 of this total, public utility tangible represented 5.25% or \$11,213,280 of this total and general tangible property represented 25.45% or \$54,352,494 of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$46.25 per \$1,000.00 of assessed valuation for operations, \$4.90 per \$1,000 of assessed valuation for debt service and \$1.73 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Seneca, Hancock and Wood County Treasurers collect property tax on behalf of the District and periodically remit, to the District, its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$598,603 available to the District as an advance at June 30, and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2001, are reflected as a reservation of fund balance. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accrued interest, accounts (billings for user charged services and student fees), interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$6,975,507
Accounts	2,914
Interfund loan	73,000

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	<u>Amounts</u>
<u>Special Revenue Funds</u>	
Accounts	48
Due from other governments	169,628
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	981,323
 <u>Capital Projects Funds</u>	
Taxes - current and delinquent	304,891
Due from other governments	5,600

NOTE 8 - FIXED ASSETS

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

	Balance at 7/1/00	Increase	Decrease	Balance at 6/30/01
Land/Buildings	\$20,441,320	\$312,359		\$20,753,679
Furniture and Equipment	4,488,795	352,989	\$183,895	4,657,889
Vehicles	960,075	132,114		1,092,189
Total	\$25,890,190	\$797,462	\$183,895	\$26,503,757

There was no significant construction in progress.

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$494,413
Less: accumulated depreciation	282,860
Net fixed assets	\$211,553

NOTE 9 - CAPITAL LEASES

In the prior year, the District entered into a capitalized lease for a vehicle and in the current year the District entered into a capital lease for software equipment. These leases meet the criteria of a capital lease as defined by FASB Statement 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 payments have been reclassified and are reflected as debt service expenditures in the combined general-purpose financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of vehicles and equipment have been capitalized in the general fixed assets account group in the amount of \$480,796. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The District is not required to make the principal payment of \$453,000 on the software equipment until fiscal year 2004. Principal and interest payments in fiscal year 2001 totaled \$6,327 and \$379, respectively, in the general fund.

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The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2001.

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2002	\$18,539
2003	19,000
2004	<u>462,500</u>
Total	500,039
Less: amount representing interest	<u>47,039</u>
Present value of minimum lease payments	<u><u>\$453,000</u></u>

NOTE 10 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225, 240 and 224 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 54 days for classified and certified employees and up to a maximum 60 days for administrators.

NOTE 11 - LONG-TERM OBLIGATIONS

A. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligations will be paid from the fund in which the employee was paid.

	<u>Interest Rate</u>	<u>Balance at July 1, 2000</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2001</u>
Middle School Annex Bonds	4.70%	\$ 49,403	\$	\$ (49,403)	\$
Middle School Refinancing Bonds	4.46%	8,468,505		(435,000)	8,033,505
School Bus Bonds	5.50%	134,000		(24,000)	110,000
School Bus Bonds	5.00%	<u>81,000</u>		<u>(26,000)</u>	<u>55,000</u>
Total General Obligation Bonds Payable		<u>8,732,908</u>		<u>(534,403)</u>	<u>8,198,505</u>
HB 264 Lighting Loan	4.80%	228,315		(28,539)	199,776
Energy Conservation Loan	5.50%	<u>484,751</u>		<u>(77,838)</u>	<u>406,913</u>
Total Loans Payable		<u>713,066</u>		<u>(106,377)</u>	<u>606,689</u>
Capital Leases		6,327	453,000	(6,327)	453,000
Pension Obligation Payable		166,889	177,626	(166,889)	177,626
Compensated Absences Payable		<u>840,211</u>	<u>389,948</u>	<u>(174,601)</u>	<u>1,055,558</u>
Total Other Long-Term Obligations		<u>1,013,427</u>	<u>1,020,574</u>	<u>(347,817)</u>	<u>1,686,184</u>
Total		<u><u>\$10,459,401</u></u>	<u><u>\$1,020,574</u></u>	<u><u>\$(988,597)</u></u>	<u><u>\$10,491,378</u></u>

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Middle School Annex Bonds - On April 1, 2000, the District issued bonds in the amount of \$96,000 for the purpose of purchasing land for the District. The bonds were issued for a two-year period with final maturity during fiscal year 2001. The bonds will be retired from the debt service fund.

Middle School Refinancing Bonds - On April 1, 1992, the District issued bonds for an addition and improvement to the middle school building. The bonds were issued for a twenty-five year period with final maturity at December 1, 2017. The bonds will be retired from the debt service fund.

School Bus Bonds - On June 30, 1998, the District issued bonds in the amount of \$129,000 for the purpose of purchasing school buses for the District. The bonds were issued for a six-year period with final maturity during fiscal year 2003. The bonds will be retired from the debt service fund.

School Bus Bonds - On June 1, 2000, the District issued bonds in the amount of \$134,000 for the purpose of paying part of the costs of acquiring school buses, including financing charges in connection with the Ohio School Districts 2000 Bus Borrowing Program. The issuance of such bonds are pursuant to Chapter 133 of the Ohio Revised Code and Section 3327.08. The bonds were issued for a five-year period with final maturity on April 15, 2005. The bonds will be retired from the debt service fund.

HB 264 Lighting - On August 21, 1998, the District obtained a loan in the amount of \$285,394 for the purpose of lighting for the District. The loan was issued for a ten-year period with final maturity during fiscal year 2008. The loan will be retired from the debt service fund.

Energy Conservation Loan - On May 15, 1997, the District issued \$806,995 in unvoted general obligation notes for the purpose of providing energy conservation measures for the District, under the authority of Ohio Revised Code §133.06(G) and 3313.372. The notes were issued for a ten-year period with final maturity during fiscal year 2006. The loan will be retired from the debt service fund.

Compensated absences and pension obligations, representing the District's contractually required pension contribution, will be paid from the fund from which the employees' salaries are paid. Compensated absences are presented net of actual increases and decrease due to the practicality of determining these values.

Principal and interest requirements to retire the general obligation debt outstanding at June 30, 2001, are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$652,718	\$359,066	\$1,011,784
2003	668,301	332,744	1,001,045
2004	710,139	305,213	1,015,352
2005	740,247	275,746	1,015,993
2006	678,205	244,340	922,545
2007-2011	2,879,898	1,423,638	4,303,536
2012-2016	1,790,686	2,429,420	4,220,106
2017	685,000	32,195	717,195
Total	<u>\$8,805,194</u>	<u>\$5,402,362</u>	<u>\$14,207,556</u>

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B. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$11,938,518 (including available funds of \$872,212) and an unvoted debt margin of \$213,586.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully insured.

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

B. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Lafayette Life in the amount of \$25,000. All eligible part-time contracted employees are covered in the amount of \$12,500.

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. This package provides a comprehensive medical plan with a \$100 single and \$200 family deductible. The medical plan is administered by Medical Mutual of Ohio located in Cleveland, Ohio. The total monthly premium for medical is \$253.06 for single coverage and \$552.40 for family coverage. The District's portion of the monthly premium is \$227.75 for single coverage and \$497.23 for family coverage, which is paid out of the same fund that pays the salary for the employees. The employee monthly portion of the premium is \$25.31 for single coverage and \$55.25 for family coverage, which is withheld from their biweekly payroll.

The District provides dental coverage for its employees on a fully-insured basis through Core Source. The total monthly premium is \$45.60 for single and \$45.60 for family coverage. This premium includes the employee portion, which is paid by the District. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement.

The above employee portions of premiums for medical and dental insurance are for full-time employees. Part-time employees may pay pro-rated premiums for coverage.

C. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). 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. The Executive Director of the

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OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures 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.

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service and adult education. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	Food Service	Adult Education	Total
Operating Revenues	\$350,752	\$3,922	\$354,674
Operating Expenses Before Depreciation	774,907	8,778	783,685
Depreciation Expense	16,828		16,828
Operating Loss	(440,983)	(4,856)	(445,839)
Operating Grants	373,843		373,843
Federal Donated Commodities	56,883		56,883
Net Loss	(10,257)	(4,856)	(15,113)
Net Working Capital	(32,301)	1,060	(31,241)
Total Assets	228,876	1,041	229,917
Total Liabilities	49,584	21	49,605
Total Equity	179,252	1,060	180,312
Encumbrances	670		670

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

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obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2001; 4.2 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$462,305, \$409,311, and \$378,384, respectively; 50.52 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$228,768, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,311,506, \$1,206,414, and \$1,184,462, respectively; 82.81 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$225,408, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by STRS or SERS have an option to choose Social Security or STRS/SERS. As of June 30, 2001, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a

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(Continued)**

monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$421,556 during fiscal 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

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

For this fiscal year, employer contributions to fund health care benefits were 9.8 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$358,555 during the 2001 fiscal year.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	(\$644,670)	\$55,975	\$275,089	\$68,618
Net adjustment for revenue accruals	211,170	150,325	29,680	11,098
Net adjustment for expenditure accruals	(499,129)	17,007	(2,015)	(4,568)
Net adjustment for other financing sources/(uses)	360,954	126,887		(44,724)
Adjustment for encumbrances	267,177	152,149		9,250
GAAP Basis	(\$304,498)	\$502,343	\$302,754	\$39,674

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

The District is not involved in litigation as either plaintiff or defendant.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**NOTES TO GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 25, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and reconsideration will have on its future State funding and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2000	(\$12,626)		\$198,034
Current Year Set-aside Requirement	342,240	\$342,240	
Statutory Reduction			(108,925)
Current Year Offsets		(235,111)	
Qualifying Disbursements	<u>(352,196)</u>	<u>(107,129)</u>	
Balance Carried Forward to FY 2002	<u>(\$22,582)</u>		<u>\$89,109</u>
Cash Balance Carried Forward to FY 2002	<u> </u>		<u>\$89,109</u>

Restricted assets for budget stabilization at June 30, 2001 were \$89,109.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended Ohio Revised Code § 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing Bureau of Workers' Compensation refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

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**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program		10.550
National School Lunch Program	043992 LLP1000001 043992 LLP4000001 043992LLP1000000 043992LLP4000000	10.555
Total National School Lunch Program		
National School Breakfast Program	04399205PU000000 043992 05PU 00000	10.553
Total National School Breakfast Program		
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
<u>Special Education Cluster:</u>		
Special Education Grants to States (IDEA Part B)	043992 6B-SF 00P 043992 6B-SF 01P	84.027
Total Special Education Grants to States		
Special Education - Preschool Grant	043992 PG-S1 01P	84.173
Total Special Education - Preschool Grant		
Total Special Education Cluster		
Adult Education- State Grant Program	043992 AB-S1 01 043992 AB-S1 00	84.002
Total Adult Education-State Grant Program		
Grants to Local Educational Agencies (ESEA Title I)	043992 C1-S1 00 043992 C1-S1 01 043992 C1-S1 01 043992 C1-S1 00	84.010
Total Grants to Local Educational Agencies		

Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
	\$56,883		\$56,883
\$225,194		\$225,194	
46,255		46,255	
35,648		35,648	
7,652		7,652	
314,749		314,749	
5,375		5,375	
34,662		34,662	
40,037		40,037	
354,786	56,883	354,786	56,883

40,405		46,542	
231,819		221,763	
272,224		268,305	
39,063		34,622	
39,063		34,622	
311,287		302,927	
51,221		25,927	
37,704		82,721	
88,925		108,648	
70,000		114,111	
76,546		71,981	
537,036		487,670	
683,582		673,762	

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
Innovative Educational Program Strategies	043992 C2-S1 00 043992 C2-S1 01 043992 C2-S1 99	84.298
Total Innovative Educational Program Strategies		
Dwight D. Eisenhower Proficiency Development State Grant	043992 MS-S1 01 043992 MS-S1 00 043992 MS-S1 99C 043992 MS-S1 00	84.281
Total Dwight D. Eisenhower Proficiency		
Drug-Free Schools Grant	043992 DR-S1 00 043992 DR-S1 01	84.186
Total Drug-Free Schools Grant		
Goals 2000	043992 G2-S2 00 043992 G2-S2 01	84.276
Total Goals 2000		
Class Size Reduction	043992 CR-S1 00 043992 CR-S1 01	84.340
Total Class Size Reduction		
Total Department of Education		
UNITED STATES DEPARTMENT OF LABOR		
<i>Passed Through Ohio Department of Education:</i>		
Employment Services and Job Training Pilot and Demonstration Programs (School to Work)	043992 WK-BE 00 043992 WK-BE 01	17.249
Total Employment Services and Job Training Pilot and Demonstration Programs (School to Work)		
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES		
<i>Passed Through Ohio Department of Education:</i>		
Medical Assistance Program (Medicaid)		93.778

Totals

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
10,989		15,893	
15,261		5,658	
		744	
<hr/>	<hr/>	<hr/>	<hr/>
26,250		22,295	
11,877		4,415	
		6,891	
<hr/>	<hr/>	<hr/>	<hr/>
11,877		11,306	
18,410		18,578	
24,634		24,226	
<hr/>	<hr/>	<hr/>	<hr/>
43,044		42,804	
32,755		55,632	
18,000		4,528	
50,755		60,160	
19,535		19,535	
79,338		71,159	
98,873		90,694	
<hr/>	<hr/>	<hr/>	<hr/>
1,314,593		1,312,596	
<hr/>	<hr/>	<hr/>	<hr/>
9,000		10,126	
158,829		149,845	
<hr/>	<hr/>	<hr/>	<hr/>
158,829		159,971	
<hr/>	<hr/>	<hr/>	<hr/>
68,462		68,462	
<hr/>	<hr/>	<hr/>	<hr/>
\$1,896,670	\$56,883	\$1,895,815	\$56,883

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

NOTE C - MATCHING REQUIREMENTS

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



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

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

To the Board of Education:

We have audited the financial statements of Fostoria City School District as of and for the year ended June 30, 2001, and have issued our report thereon dated January 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-10574-001, 2001-10574-002, and 2001-10574-03. We also noted certain immaterial instances of noncompliance that we have reported to management of Fostoria City School District in a separate letter dated January 25, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Fostoria City School District in a separate letter dated.

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

Jim Petro
Auditor of State

January 25, 2002



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

Fostoria City School District
Seneca County
500 Parkway Drive
Fostoria, Ohio 44830-1513

To the Board of Education:

Compliance

We have audited the compliance of Fostoria City School 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, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. We noted a certain instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated January 25, 2002.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

January 25, 2002

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(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)(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 noncompliance 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):	Nutrition Cluster: CFDA # 10.550, 10.555, and 10.553 Special Education Cluster: CFDA # 84.027 and 84.173
(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 2001-10574-001

Ohio Revised Code § 5705.10 requires money that is paid into a fund must be used only for the purpose for which such fund has been established. Negative fund balances were noted for several funds throughout the year as follows:

**FINDING NUMBER 2001-10574-001
 (Continued)**

<u>July 2000</u>	<u>Amount</u>	<u>October 2000</u>	<u>Amount</u>
<i>Fund Type/Fund</i>		<i>Fund Type/Fund</i>	
<u>Special Revenue:</u>		<u>Special Revenue:</u>	
EMIS	\$1,703	EMIS	\$8,642
Title VI-B	5,090	Title VI-B	5,768
		E-Rate	21,540
<u>Enterprise:</u>		<u>Enterprise:</u>	
Food Service	\$5,000	Food Service	\$93,235

<u>January 2001</u>	<u>Amount</u>	<u>April 2001</u>	<u>Amount</u>
<i>Fund Type/Fund</i>		<i>Fund Type/Fund</i>	
<u>Special Revenue:</u>		<u>Special Revenue:</u>	
EMIS	\$6,984	OSF ADA Grant	\$56,000
OSF ADA Grant	18,854	Preschool Grant	8,019
ABLE	3,625	Title VI	28,628
Title VI	7,036		
Preschool Grant	6,219	<u>Capital Projects:</u>	
E-Rate	12,274	Permanent Improvement	\$93,235
<u>Capital Projects:</u>			
Permanent Improvement	\$105,565		

We recommend the District review its spending practices to avoid fund deficits. A negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

FINDING NUMBER 2001-10574-002

Ohio Revised Code § 5705.36 allows the District to request increased amended certificates of estimated resources and reduced amended certifications upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources.

An increase amended certificate must be obtained from the budget commission if the legislative authority intends to appropriate and expend the excess revenue. A reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriations.

The District did not obtain a reduced amended certificate in the following funds as of June 30, 2001:

<u>Fund</u>	<u>Amount</u>
General	\$544,155
OSF ADA Grant	11,200

**FINDING NUMBER 2001-10574-002
 (Continued)**

The following funds should have received an increased amended certificate as follows:

October 2000	Amount	January 2001	Amount
<u>Fund/Fund Type</u>		<u>Fund/Fund Type</u>	
<u>Special Revenue:</u>		<u>Special Revenue</u>	
Auxiliary Service	\$157,713	Other Grant	\$1,688
ABLE	37,794	Prof. Dev. Block	13,472
DDE	11,877		
Title VI-B	78,819	<u>Internal Service:</u>	
Title I	122,538	Self Insurance	\$3,196
Drug Free Grant	7,390		
 <u>Fiduciary Funds:</u>			
Nonexpendable Trust	\$1,898	April	Amount
Expendable Trust	4,500	<u>Fund/Fund Type</u>	
		<u>Special Revenue:</u>	
<u>Enterprise:</u>		Other Grant	\$ 3,585
Food Service	\$97,753	EMIS	7,468
		Prof. Dev. Block	13,472
<u>Internal Service:</u>		Misc. State Grant	7,550
Self Insurance	\$3,098	E-Rate	37,565
		 <u>Internal Service:</u>	
		Self Insurance	3,247

FINDING NUMBER 2001-10574-003

Ohio Revised Code § 5705.39 states that appropriations from each fund should not exceed the total estimated revenue. The following funds had appropriations in excess of estimated revenue for the month of March 31, 2001:

<u>Fund/Fund Type</u>	<u>Estimated Revenue</u>	<u>Appropriations</u>	<u>Variance</u>
<u>Special Revenue:</u>			
Latchkey	\$63,085	\$66,839	\$3,754
<u>Capital Projects:</u>			
Permanent Improvements	405,632	514,371	108,739
<u>Enterprise:</u>			
Food Service	763,400	784,186	20,786

FINDING NUMBER 2001-10574-003
(Continued)

To avoid deficit spending, we recommend appropriations be amended by resolution to meet their estimated revenues and sent to the budget commission on a timely basis.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**FOSTORIA CITY SCHOOL DISTRICT
SENECA COUNTY**

**CORRECTIVE ACTION PLAN
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10574-001	Board will authorize advances to avoid fund deficits.	Jan. 2002	Jane Fruth
2001-10574-002	Management will monitor the budget to identify and amend certificate as needed.	Jan. 2002	Jane Fruth
2001-10574-003	Management will review the certificate on a monthly basis and make necessary modifications.	Jan. 2002	Jane Fruth



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FOSTORIA CITY SCHOOL DISTRICT

SENECA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 14, 2002**