



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Washington Court House City School District, Fayette County, Ohio (the District) as of and for the fiscal year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Washington Court House City School District, Fayette County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] 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.

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

Jim Petro
Auditor of State

January 19, 2001

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Washington Courthouse City School District
Fayette County

Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2000

	Governmental Fund Types			Proprietary Fund Types
	General	Special Revenue	Capital Projects	Enterprise
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$1,065,672	\$478,280	\$412,379	\$60,675
Restricted Equity in Pooled Cash and Investments	328,599	0	0	0
Receivables:				
Taxes	4,400,869	0	0	0
Accounts	26,615	762	0	2,117
Accrued Interest	7,718	527	2,072	255
Interfund Receivable	8,334	0	0	0
Inventory	0	0	0	13,597
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	58,272
Other Debits:				
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	<u>\$5,837,807</u>	<u>\$479,569</u>	<u>\$414,451</u>	<u>\$134,916</u>
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$60,379	\$16,524	\$0	\$379
Accrued Wages & Benefits	1,030,327	103,930	0	31,023
Compensated Absences Payable	113,127	0	0	5,609
Interfund Payable	0	0	8,334	0
Deferred Revenue	3,301,492	0	0	8,839
Due to Students	0	0	0	0
Notes Payable	150,000	0	0	0
Total Liabilities	<u>4,655,325</u>	<u>120,454</u>	<u>8,334</u>	<u>45,850</u>
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	89,066
Fund Balance:				
Reserved for Encumbrances	614,044	36,960	396,395	0
Reserved for Property Tax Advances	1,099,377	0	0	0
Reserved for Set-Asides	328,599	0	0	0
Unreserved & Undesignated	(859,538)	322,155	9,722	0
Total Fund Equity (Deficit) & Other Credits	<u>1,182,482</u>	<u>359,115</u>	<u>406,117</u>	<u>89,066</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$5,837,807</u>	<u>\$479,569</u>	<u>\$414,451</u>	<u>\$134,916</u>

See accompanying notes.

Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations	
\$225,722	\$0	\$0	\$2,242,728
0	0	0	328,599
0	0	0	4,400,869
0	0	0	29,494
0	0	0	10,572
0	0	0	8,334
0	0	0	13,597
0	6,459,341	0	6,517,613
0	0	276,330	276,330
<u>\$225,722</u>	<u>\$6,459,341</u>	<u>\$276,330</u>	<u>\$13,828,136</u>
\$50	\$0	\$0	\$77,332
0	0	88,289	1,253,569
0	0	188,041	306,777
0	0	0	8,334
0	0	0	3,310,331
24,994	0	0	24,994
0	0	0	150,000
<u>25,044</u>	<u>0</u>	<u>276,330</u>	<u>5,131,337</u>
0	6,459,341	0	6,459,341
0	0	0	89,066
0	0	0	1,047,399
0	0	0	1,099,377
0	0	0	328,599
200,678	0	0	(326,983)
<u>200,678</u>	<u>6,459,341</u>	<u>0</u>	<u>8,696,799</u>
<u>\$225,722</u>	<u>\$6,459,341</u>	<u>\$276,330</u>	<u>\$13,828,136</u>

Washington Courthouse City School District
Fayette County

Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2000

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$3,817,271	\$0	\$0	\$0	\$3,817,271
Intergovernmental	7,231,384	1,114,857	122,088	0	8,468,329
Investment	75,926	7,731	18,727	2,967	105,351
Tuition & Fees	56,604	0	0	0	56,604
Extracurricular Activities	0	236,016	0	59	236,075
Miscellaneous	167,553	44,558	197,315	31,504	440,930
Total Revenues	11,348,738	1,403,162	338,130	34,530	13,124,560
Expenditures:					
Current:					
Instruction:					
Regular	5,486,474	260,069	11,058	0	5,757,601
Special	1,050,442	466,588	0	0	1,517,030
Vocational	36,555	0	0	0	36,555
Other	114,291	0	0	0	114,291
Support Services:					
Pupils	500,371	106,465	0	0	606,836
Instructional Staff	520,625	276,778	0	1,873	799,276
Board of Education	15,260	0	0	0	15,260
Administration	1,091,929	87,555	0	0	1,179,484
Fiscal	344,041	2,929	0	0	346,970
Operation & Maintenance of Plant	1,196,090	0	0	0	1,196,090
Pupil Transportation	441,748	1,301	0	0	443,049
Central	174,684	9,504	0	0	184,188
Operation of Non-Instructional Services	1,541	200	0	25,012	26,753
Extracurricular Activities	286,032	187,236	0	0	473,268
Capital Outlay	199,757	0	231,560	0	431,317
Debt Service:					
Interest & Fiscal Charges	0	0	1,565	0	1,565
Total Expenditures	11,459,840	1,398,625	244,183	26,885	13,129,533
Excess of Revenues Over (Under) Expenditures	(111,102)	4,537	93,947	7,645	(4,973)
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	8,781	0	0	0	8,781
Operating Transfers In	77,292	0	52,078	0	129,370
Operating Transfers Out	(129,370)	0	0	0	(129,370)
Total Other Financing Sources (Uses)	(43,297)	0	52,078	0	8,781
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(154,399)	4,537	146,025	7,645	3,808
Fund Balance, Beginning of Year	1,336,881	354,578	260,092	62,955	2,014,506
Fund Balance, End of Year	\$1,182,482	\$359,115	\$406,117	\$70,600	\$2,018,314

See accompanying notes.

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Washington Courthouse City School District
Fayette County

Combined Statement of Revenues, Expenditures
And Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Year Ended June 30, 2000

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$3,994,419	\$3,990,050	(\$4,369)	\$0	\$0	\$0
Intergovernmental	7,341,145	7,231,384	(109,761)	1,198,292	1,114,857	(83,435)
Investment	72,000	72,502	502	4,280	7,703	3,423
Tuition & Fees	51,851	56,604	4,753	0	0	0
Extracurricular Activities	0	0	0	192,300	237,711	45,411
Miscellaneous	127,355	151,565	24,210	23,629	43,888	20,259
Total Revenues	11,586,770	11,502,105	(84,665)	1,418,501	1,404,159	(14,342)
Expenditures:						
Current:						
Instruction:						
Regular	5,654,842	5,609,068	45,774	298,931	256,583	42,348
Special	1,119,618	1,065,869	53,749	603,241	476,940	126,301
Vocational	48,625	47,786	839	0	0	0
Other	130,145	115,543	14,602	0	0	0
Support Services:						
Pupils	529,485	515,571	13,914	125,828	110,657	15,171
Instructional Staff	554,496	530,481	24,015	351,714	291,103	60,611
Board of Education	15,784	15,260	524	0	0	0
Administration	1,166,943	1,099,504	67,439	110,061	88,397	21,664
Fiscal	377,724	352,886	24,838	2,912	2,597	315
Operation & Maintenance of Plant	1,261,611	1,219,090	42,521	0	0	0
Pupil Transportation	514,108	508,582	5,526	2,948	1,301	1,647
Central	191,979	182,512	9,467	10,948	9,503	1,445
Operation of Non-Instructional Services	1,900	1,541	359	500	200	300
Extracurricular Activities	288,715	281,419	7,296	225,405	215,310	10,095
Capital Outlay	673,730	673,635	95	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	12,529,705	12,218,747	310,958	1,732,488	1,452,591	279,897
Excess (Deficiency) of Revenues Over Under Expenditures	(942,935)	(716,642)	226,293	(313,987)	(48,432)	265,555
Other Financing Sources (Uses):						
Proceeds of Notes	150,000	150,000	0	0	0	0
Proceeds from Sale of Fixed Assets	200	8,781	8,581	0	0	0
Operating Transfers In	74,212	77,291	3,079	16,256	16,256	0
Operating Transfers Out	(129,370)	(129,370)	0	(16,256)	(16,256)	0
Advances In	90,000	58,825	(31,175)	0	0	0
Advances Out	(67,159)	(67,159)	0	0	0	0
Total Other Financing Sources (Uses)	117,883	98,368	(19,515)	0	0	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(825,052)	(618,274)	206,778	(313,987)	(48,432)	265,555
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,379,234	1,379,234	0	475,559	475,559	0
Fund Balance, End of Year	\$554,182	\$760,960	\$206,778	\$161,572	\$427,127	\$265,555

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$3,994,419	\$3,990,050	(\$4,369)
0	0	0	130,422	122,088	(8,334)	8,669,859	8,468,329	(201,530)
0	0	0	10,000	17,443	7,443	86,280	97,648	11,368
0	0	0	0	0	0	51,851	56,604	4,753
0	0	0	0	0	0	192,300	237,711	45,411
0	0	0	196,850	197,315	465	347,834	392,768	44,934
0	0	0	337,272	336,846	(426)	13,342,543	13,243,110	(99,433)
0	0	0	27,493	14,985	12,508	5,981,266	5,880,636	100,630
0	0	0	0	0	0	1,722,859	1,542,809	180,050
0	0	0	0	0	0	48,625	47,786	839
0	0	0	0	0	0	130,145	115,543	14,602
0	0	0	0	0	0	655,313	626,228	29,085
0	0	0	0	0	0	906,210	821,584	84,626
0	0	0	0	0	0	15,784	15,260	524
0	0	0	0	0	0	1,277,004	1,187,901	89,103
0	0	0	0	0	0	380,636	355,483	25,153
0	0	0	0	0	0	1,261,611	1,219,090	42,521
0	0	0	0	0	0	517,056	509,883	7,173
0	0	0	0	0	0	202,927	192,015	10,912
0	0	0	0	0	0	2,400	1,741	659
0	0	0	0	0	0	514,120	496,729	17,391
0	0	0	625,340	624,029	1,311	1,299,070	1,297,664	1,406
50,000	50,000	0	0	0	0	50,000	50,000	0
2,078	2,078	0	0	0	0	2,078	2,078	0
52,078	52,078	0	652,833	639,014	13,819	14,967,104	14,362,430	604,674
(52,078)	(52,078)	0	(315,561)	(302,168)	13,393	(1,624,561)	(1,119,320)	505,241
0	0	0	0	0	0	150,000	150,000	0
0	0	0	0	0	0	200	8,781	8,581
52,078	52,078	0	0	0	0	142,546	145,625	3,079
0	0	0	0	0	0	(145,626)	(145,626)	0
0	0	0	13,659	13,659	0	103,659	72,484	(31,175)
0	0	0	(5,325)	(5,325)	0	(72,484)	(72,484)	0
52,078	52,078	0	8,334	8,334	0	178,295	158,780	(19,515)
0	0	0	(307,227)	(293,834)	13,393	(1,446,266)	(960,540)	485,726
0	0	0	309,817	309,817	0	2,164,610	2,164,610	0
\$0	\$0	\$0	\$2,590	\$15,983	\$13,393	\$718,344	\$1,204,070	\$485,726

Washington Courthouse City School District
Fayette County

Combined Statement of Revenues, Expenses
And Changes in Retained Earnings/Fund Balance
All Proprietary Fund Types and Non-Expendable Trust Fund
For the Year Ended June 30, 2000

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum Only)
Operating Revenues:			
Investment Revenue	\$0	\$763	\$763
Charges for Services	351,902	0	351,902
Tuition & Fees	56,404	0	56,404
Miscellaneous Revenue	5,722	0	5,722
Total Operating Revenues	414,028	763	414,791
Operating Expenses:			
Salaries	249,703	0	249,703
Fringe Benefits	67,343	0	67,343
Purchased Services	17,610	0	17,610
Materials & Supplies	378,477	0	378,477
Depreciation	6,844	0	6,844
Other Operating Expenses	1,155	0	1,155
Total Operating Expenses	721,132	0	721,132
Operating Income (Loss)	(307,104)	763	(306,341)
Non-Operating Revenues (Expenses):			
Investment Revenue	4,028	0	4,028
Donated Commodities	66,493	0	66,493
Operating Grants - State & Local	13,819	0	13,819
Operating Grants - Federal	238,459	0	238,459
Total Non-Operating Revenues	322,799	0	322,799
Net Income	15,695	763	16,458
Retained Earnings/Fund Balance, Beginning of Year	73,371	129,315	202,686
Retained Earnings/Fund Balance, End of Year	\$89,066	\$130,078	\$219,144

See accompanying notes.

Washington Courthouse City School District
Fayette County

Combined Statement of Cash Flows
All Proprietary Fund Types and Non-Expendable Trust Fund
For the Year Ended June 30, 2000

	Proprietary Fund Types	Fiduciary Fund Type	Totals
	Enterprise	Non-Expendable Trust	(Memorandum only)
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$56,404	\$0	\$56,404
Cash Received from Investment Earnings	0	763	763
Cash Received from Charges for Services	351,902	0	351,902
Cash Received from Miscellaneous Sources	3,605	0	3,605
Cash Payments for Personal Services	(350,684)	0	(350,684)
Cash Payments for Contract Services	(17,610)	0	(17,610)
Cash Payments for Supplies & Materials	(309,912)	0	(309,912)
Cash Payments for Other Expenses	(1,155)	0	(1,155)
	<u>(267,450)</u>	<u>763</u>	<u>(266,687)</u>
Net Cash Provided (Used) by Operating Activities			
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	252,278	0	252,278
	<u>252,278</u>	<u>0</u>	<u>252,278</u>
Net Cash Provided (Used) by Non-Capital Financing Activities			
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(7,607)	0	(7,607)
	<u>(7,607)</u>	<u>0</u>	<u>(7,607)</u>
Net Cash Used for Capital and Related Financing Activities			
Cash Flows from Investing Activities:			
Investment Earnings	3,934	0	3,934
	<u>3,934</u>	<u>0</u>	<u>3,934</u>
Net Cash Provided (Used) by Investing Activities			
Net Increase (Decrease) in Cash and Cash Equivalents	(18,845)	763	(18,082)
Cash and Cash Equivalents at Beginning of Year	79,520	129,315	208,835
Cash and Cash Equivalents at End of Year	<u>\$60,675</u>	<u>\$130,078</u>	<u>\$190,753</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$307,104)	\$763	(\$306,341)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	6,844	0	6,844
Donated Commodities Used	66,493	0	66,493
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(2,117)	0	(2,117)
(Increase) Decrease in Materials & Supplies Inventory	10,462	0	10,462
Increase (Decrease) in Accounts Payable	(8,483)	0	(8,483)
Increase (Decrease) in Accrued Wages & Benefits	(26,451)	0	(26,451)
Increase (Decrease) in Compensated Absences Payable	1,675	0	1,675
Increase (Decrease) in Deferred Revenue	(8,769)	0	(8,769)
	<u>(267,450)</u>	<u>763</u>	<u>(266,687)</u>
Net Cash Provided (Used) by Operating Activities			
Reconciliation of Non-Expendable trust fund to balance sheet:			
Cash and cash equivalents - All fiduciary Funds		\$225,722	
Cash and cash equivalents - Expendable Trust and Agency Funds		<u>95,644</u>	
Cash and cash equivalents - Non-Expendable Trust Fund		<u>\$130,078</u>	

See accompanying notes.

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**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTRY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE 1: DESCRIPTION OF THE DISTRICT

Washington Court House City School District (the “District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Washington Court House City School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 Members) and is responsible for the provision of public education to residents of the District.

The heritage of the Washington Court House City Schools began in 1813 when Samuel Loofborrow converted half of his double log cabin at the corner of Hinde and Paint Streets into a subscription school supported by the parents of his pupils.

Numerous one-room schools sprung up throughout the community during the 1800’s. By 1856, a site on North Street was purchased and 1856 built eight-room school a new, two story. In 1872, the building was upgraded and shortly thereafter, the system was approved as what was known as a “first grade” school which allowed it to conduct high school level courses.

In 1876, the Washington High School and Fayette County had its first high school graduates when three students, a boy and two girls, received their diplomas after studying Latin, Greek, French, logic, trigonometry, mental and moral philosophy and natural sciences using college textbooks.

Today, the district owns nine major educational facilities: four elementary buildings (Belle Aire, Cherry Hill, Eastside, and Rose Avenue), one middle school (Washington Middle School), one high school (Washington Senior High), Education Service Center (district office), one kindergarten (Sunnyside), and Gardner Park Sports Complex. The total enrollment varies from year to year but averages 2,318 students per year and the average senior class has 125 students graduating.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principals (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is accepted standard setting body for establishing governmental accounting and financial reporting principals. The District’s significant accounting policies are described below.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

A. The Reporting Entity

For financial reporting purposes, the District's financial statements include all funds and account groups of the primary government (the District) based upon criteria set forth in GASB Statement 14. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For the Washington Court House City School District, this includes general operations, food service, preschool and student related activities of the School District entity. The District considered potential component units for inclusion in the reporting entity. Generally, component units are legally separate organizations for which the elected officials of the primary government (i.e. the District) are financially accountable. The District would consider an organization to be a component unit if:

1. The District appointed a voting majority of the organization's governing body AND (a) was able to impose its will on that organization OR (b) there was a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District.
2. The organization was fiscally dependent upon the District.
3. The nature of the relationship between the district and the organization was such that exclusion from the financial reporting entity would render the financial statements misleading.

The District included no component units in the accompanying financial statements. The School District is associated with organizations, which are defined as Jointly Governed Organizations. These organizations are discussed in Note 14 to the general-purpose financial statements.

B. Basis of Presentation - Fund Accounting

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

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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 related liabilities (except for those accounted for in proprietary and fiduciary fund types) 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

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust 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. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups.

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds).

Proprietary Funds - Proprietary Funds are used to account for the District's on-going activities, which are similar to those most often, found in the private sector. The following are the District's Proprietary Fund Types:

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(CONTINUED)**

Enterprise Funds

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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds - Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Non-Expendable Trust, and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental Funds. Non-Expendable Trust Funds are accounted for essentially the same 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 Proprietary Funds and Trust Funds.

General long-term Obligations Account Group

This group of accounts is established to account for all long-term obligations of the District, except those accounted for in Proprietary Funds and Trust Funds.

C. Measurement Focus/Basis of Accounting

Measurement Focus: Governmental Fund Types and Expendable Trust Funds are accounted for on a spending, or “current financial resources”, measurement focus. Governmental Fund Types and Expendable Trust Funds operating statements represent increases and decreases in net current assets. Their reported fund balances are considered a measure of available spendable resources.

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**NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

Proprietary Fund Types and Non-Expendable Trust Funds are accounted for on a cost of services “economic resources”, measurement focus. Proprietary Fund Type income statements represent increases and decreases in net total assets.

Basis of Accounting: The Modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to property taxes available for advance, investment, tuition, and state and federal grants. Property taxes measurable but not available to finance current year expenditures nor intended to finance current year expenditures are recorded as deferred revenues. Delinquent property taxes are recorded as receivable if received within the available period. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

Proprietary Funds and Non-Expendable Trust Funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred.

D. Budgetary Data

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than GAAP. The major difference between the budget basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when encumbered, or paid in cash (budget), as opposed when susceptible to accrual (GAAP).

The actual results of operations, compared to the final appropriation, which included amendments to the original appropriation, for each fund type by expenditure function and revenue by sources are presented in the Combined Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (non-GAAP Budgetary Basis). The reserve for encumbrances is carried forward as part of the budgetary authority for the next year and is included in the revised budget amounts shown in the budget to actual comparisons.

The District is required by State Statute to adopt an annual appropriation budget for all governmental fund types. The specific timetable is as follows:

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits 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 Fayette 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 Fayette County Budget Commission and received the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Fayette County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriations totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions 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 statutory provisions. All department/functions and funds completed the year within the amount of their legally authorized 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. The Board legally enacted all supplemental appropriations.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

E. Encumbrances

Encumbrance accounting is utilized by 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 expenditures and does not represent a liability. For Governmental Fund Types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

Cash received by the District is deposited in various bank accounts with individual fund balance integrity maintained throughout. Moneys for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, all investments earnings accrue to the General Fund except those specifically related to agency Fund, certain trust funds, and those funds individually authorized by Board resolution.

For purposes of the Statement of Cash Flows (GASB Statement No. 9) all highly liquid investments with a maturity of three months or less when acquired are considered to be cash equivalents and are included under the heading "Equity in pooled cash and investments".

During fiscal year 2000, investments were limited to repurchase agreements. Repurchase agreements are non-participating investment contracts and were valued at cost.

Restricted Assets: Restricted assets in the general fund represent cash and cash equivalents (an intergovernmental receivable) set aside to establish a budget stabilization reserve. This reserve is required by State statute. A fund balance reserve has also been established.

G. Inventory

Inventories of the Enterprise Funds are valued at lower of cost (first-in, first-out method) or market and are determined by physical count.

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General Fixed Assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

2. Proprietary Funds

Property, plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

Building Improvements	20-40 years
Equipment	3-15 years

I. Intergovernmental Revenues

In Governmental Funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenue when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

J. Compensated Absences

GASB Statement No. 16 specifies that compensated absences should be accrued as they are earned by employees if both of the following conditions are met:

1. The employee's rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or cash payment.

The District's policies regarding compensated absences are determined by state laws and/or negotiated agreements. In summary, the policies are as follows:

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FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
<i>Vacation:</i>			
How Earned	Not Eligible	20 days per year accumulated at 1.667 per month	10-20 days for each year depending on length of service
Maximum Accumulation	Not Eligible	60 days	60 days
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<i>Sick Leave:</i>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	Contract year + 15 days (Range from 200-220 days)	Contract year + 15 days (Range from 220 - 269 days)	Contract year + 15 days (Range from 200 - 275 days)
Termination Entitlement	Per Contract	Per Contract	Per Contract

For Governmental Funds, compensated absences that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the respective Governmental Fund. Amounts that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. Compensated absences of Proprietary Funds are recorded as expenses and liability of the respective proprietary fund.

K. Inter-fund Transactions

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

1. Routine transfer of resources from one fund to another fund through which resources to be expended is recorded as operating transfers.
2. Reimbursements from one fund to another fund are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term inter-fund loans are reflected as inter-fund loan payable/receivable, while long-term inter-fund loans (greater than one year in length) are recorded as advances to/from other funds. The District had no inter-fund loans or advances at year-end.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

L. Long-Term Obligations

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriations or is legally segregated for a specific use. Fund balances are reserved for encumbrance, property tax advances, and set-a-sides. The reserve for Property taxes represent amounts accrued as revenue in accordance with GAAP, but not available for appropriation according to state statute. The reserve for set-asides represents state mandated reserves for capital maintenance and budget stabilization. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the special purpose of those funds.

N. Memorandum Only - Total Columns

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

O. Proprietary Fund Accounting

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting", the District applies all GASB pronouncements and all FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with GASB pronouncements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

NOTE 3: DEPOSITS AND INVESTMENTS

State Statute requires the classifications of moneys held by the District into three categories:

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

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

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 moneys deposited with the institution.

State Legislation permits interim moneys to be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's.

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**NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

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 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 secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
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 moneys available for investments at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 2000, the District's investments were limited to overnight repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

At fiscal year end, the District had \$30.00 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".

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Deposits: At fiscal year end, the carrying amount of the School District's deposits was (\$16, 118) and the bank balance was \$261,353. Of the bank balance, \$166,049 was covered by federal depository insurance. \$95,304 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are categorized below to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments, which are held by the counter-party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are being held by the counter-party, or by its trust department or agent but not in the School District's name. The School District's investments in Deferred Compensation are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 3</u>	<u>Carrying Value/Fair Value</u>
Repurchase Agreement	<u>\$2,587,415</u>	<u>\$2,587,415</u>
Totals:	<u>\$2,587,415</u>	<u>\$2,587,415</u>

NOTE 4: PROPERTY TAXES

Property taxes included amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2000 were based, is as follows:

Tangible Personal	\$ 32,504,625
Public Utility & Real Estate	<u>\$126,175,800</u>
 Total Assessed Property Value	 <u>\$158,680,425</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien dates. Public utility property taxes attached as a lien on December 31 of the prior

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(CONTINUED)**

year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least 1/2 of amount billed) was due January 20 with the remainder due on June 20.

The Fayette County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of Real and Public Utility property taxes in February and August and Tangible Personal Property taxes in June and October.

Accrued property taxes receivable represents real property, personal property, and public utility taxes, which became measurable as of the current year-end. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations.

NOTE 5: FIXED ASSETS

A summary of the General Fixed Assets Accounts Group at year-end follows:

	<u>Balance Beg of Year</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance End of Year</u>
Land	\$ 246,759	\$ 48,339	\$ -0-	\$ 295,098
Building & Building Improvements	\$ 1,220,253	\$ 146,161	\$ -0-	\$1,366,414
Equipment	<u>\$ 4,665,201</u>	<u>\$ 251,162</u>	<u>\$ (118,534)</u>	<u>\$4,797,829</u>
Total	<u>\$ 6,132,213</u>	<u>\$ 445,662</u>	<u>\$ (118,534)</u>	<u>\$6,459,341</u>

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

A summary of the Proprietary Fund fixed assets at year-end follows:

Equipment	\$222,089
Less Accumulated Depreciation	<u>-163,817</u>
Net Fixed Assets	<u>\$ 58,272</u>

NOTE 6: NOTES PAYABLE

The District issued a short-term note in the General Fund during fiscal year 2000. The balance at year-end was as follows:

	<u>Balance Beg of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance End of Year</u>
Capital Projects Notes Payable:				
4.4% School Improvement	\$ 50,000	<u>\$ -0-</u>	\$ 50,000	\$ -0-
General Notes Payable:				
5.48%	<u>\$ -0-</u>	<u>\$ 150,000</u>	<u>\$ -0-</u>	<u>\$ 150,000</u>
Total Notes Payable	<u>\$ 50,000</u>	<u>\$ 150,000</u>	<u>\$ 50,000</u>	<u>\$ 150,000</u>

NOTE 7: CHANGES IN THE GENERAL LONG-TERM OBLIGATION ACCOUNT GROUP

During the year ended June 30, 2000, the following changes occurred in debt reported in the General Long-Term Obligations Account Group.

	<u>Balance Beg of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
Accrued Wages & Benefits	\$ 78,820	\$ 9,469	\$ -0-	\$ 88,289
Computer Note	\$ 70,177	\$ -0-	\$ 70,177	\$ -0-
Compensated Absences	<u>\$ 145,023</u>	<u>\$ 43,018</u>	<u>\$ -0-</u>	<u>\$ 188,041</u>
Total	<u>\$ 294,020</u>	<u>\$ 52,487</u>	<u>\$ 70,177</u>	<u>\$ 276,330</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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(CONTINUED)**

NOTE 8: SEGMENT INFORMATION

Enterprise Funds:

The District maintains four Enterprise Funds to account for various enterprise operations. 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 current year-end.

	<u>FOOD SERVICE</u>	<u>UNIFORM SUPPLY</u>	<u>P.A.C.E. COM. ED</u>	<u>CREATIVE CARE</u>	<u>TOTAL</u>
Operating Revenue	\$ 348,585	\$ 5,433	\$ -0-	\$ 60,010	\$ 414,028
Operating Expenses*	\$ 641,714	\$ 3,408	\$ 2,578	\$ 73,432	\$ 721,132
Depreciation	\$ 6,844	-0-	-0-	-0-	\$ 6,844
Operating Income (Loss)	\$(293,129)	\$ 2,025	\$ (2,578)	\$ (13,422)	\$(307,104)
Non-operating Revenue	\$ 321,989	\$ 135	\$ 198	\$ 477	\$ 322,799
Net Income (Loss)	\$ 28,860	\$ 2,160	\$ (2,380)	\$ (12,945)	\$ 15,695
Operating Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Net Income (Loss)	\$ 28,860	\$ 2,160	\$ (2,380)	\$ (12,945)	\$ 15,695
Net Working Capital	\$ 31,941	\$ 2,346	\$ 3,975	\$ 2,051	\$ 40,313
Total Assets	\$ 121,825	\$ 2,346	\$ 3,975	\$ 6,770	\$ 134,916
Total Liabilities	\$ 41,131	\$ -0-	\$ -0-	\$ 4,719	\$ 45,850
Total Equity	\$ 80,694	\$ 2,346	\$ 3,975	\$ 2,051	\$ 89,066
*before Depreciation					

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NOTE 9: EMPLOYEE RETIREMENT SYSTEMS & DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

The Washington Court House City School District contributes to the School Employees Retirement System of Ohio (SERS), a cost sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$288,438, \$272,124, and \$267,402 respectively; 47 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$152,268 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

actuary, nor to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ending June 30, 2000, 1999, and 1998 were \$896,916, \$843,444, and \$779,520, respectively; 82 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. \$155,524 representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

NOTE 10: POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the year ended June 30, 2000, the allocation will be 8% of the covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,783 million at June 30, 1999. For the year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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 4.98 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, 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.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984 and the target level was \$189.9 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11: BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. A reconciliation of the nature and amounts of the adjustments necessary to convert the GAAP financial statements to the budgetary basis follows:

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis				
<u>Governmental Fund Types</u>	<u>General Funds</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$ (154,399)	\$ 4,437	\$ -0-	\$ 146,025
Net Adjustments for Revenue Accruals	\$ 362,191	\$ 17,253	\$ 52,078	\$ (39,703)
Net Adjustment for Expenditure Accruals	\$ (192,757)	\$ (19, 069)	\$ (52,078)	\$ (3,761)
Encumbrances	<u>\$ (633,309)</u>	<u>\$ (51,153)</u>	<u>\$ -0-</u>	<u>\$ (396,395)</u>
Budgetary Basis	<u>\$ (618,274)</u>	<u>\$ (48,432)</u>	<u>\$ -0-</u>	<u>\$ (293,834)</u>

NOTE 12: COMPLIANCE AND ACCOUNTABILITY

State Statute requires all funds to have expenditure and encumbrances within approved appropriation limits. All funds of the District had expenditures and encumbrances within the approved appropriations.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

NOTE 13: CONTINGENT LIABILITIES

Grants

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursements 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. Management is unable to estimate possible claims resulting from such audits until the audits have been completed. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statement of the individual fund types included herein or on the overall financial position of the District.

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

The Miami Valley Educational Computer Association (MVECA) is a governmental joint venture consisting of 27 school districts. The joint organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member's school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and Federal and State grants.

NOTE 15: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$5,000,000 in the general aggregate. Other liability insurance includes \$2,000,000 for automobile liability, and \$2,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$29,786,800

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Washington Court House City School District, the District makes available health, dental, and term life insurance for all regular employees who desire coverage. The District pays a portion of the health and dental insurance. The District pays 100% of the term life insurance, single hospitalization, and single dental. The District pays 85% of the family dental, and 80 % of the family hospitalization, with the exception of the administrative staff. The District pays 81% of the family hospitalization and 85% of the family dental for administrative staff. The balance remaining on all employees' benefits are deducted through payroll.

NOTE 16: STATE AND FEDERAL GRANTS

The Auditor of State audits the state and federal financial assistance grants as part of their regular audit. Instances of noncompliance with state and/or federal grant requirements, if any, would be disclosed in a separate part of this presentation.

NOTE 17: UNCERTAINTIES

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school-funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$5,947,057 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, “...the mandate of the [Ohio] Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and the adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) 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, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	\$ -0-	\$ 115,327	\$ 128,871
Required Set-Aside	\$ 268,012	\$ 268,012	\$ 89,337
Offset Credits	\$ -0-	\$ -0-	\$ (46,207)
Qualifying Expenditures	\$(289,315)	\$(226,741)	\$ -0-
Balance, End of Year	\$ (21,303)	\$ 156,598	\$ 172,001
	Total set-aside amount		\$ 328,599 =====

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(CONTINUED)**

Expenditures for textbook and instructional material activities during the year totaled \$289,315, which exceeded the amount required for the set-a-side by \$21,303. This amount may be used to reduce the set-a-aide requirement in succeeding fiscal years for textbook and instructional material activities.

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**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$57,724	\$0	\$66,493
National School Breakfast Program	05-PU-2000	10.553	34,563	0	34,563	0
	05-PU-1999					
National School Lunch Program	04-PU-1999	10.555	203,897	0	203,897	0
	03-PU-1999					
	04-PU-2000					
	03-PU-2000					
Total Nutrition Cluster			<u>238,460</u>	<u>57,724</u>	<u>238,460</u>	<u>66,493</u>
Total U.S. Department of Agriculture			238,460	57,724	238,460	66,493
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Handicapped Preschool	PG-S1-1999	84.173	18,926		23,381	
Special Education Grants to States (Title VI B)	6B-SF-2000	84.027	<u>128,081</u>	<u>0</u>	<u>121,291</u>	<u>0</u>
Total Special Education Cluster			147,007	0	144,672	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2000	84.010	528,353	0	528,045	0
	C1-S1-1999					
Innovative Educational Program Strategies	C2-S1-2000	84.298	12,988	0	11,433	0
	C2-S1-1999					
Eisenhower Prof Development State Grant	MS-S1-2000	84.281	12,344	0	19,768	0
Class Size Reduction	CR-S1-2000	84.340	64,696	0	50,657	0
Education Systemic Improvement Grants	G2-S2-1999	84.276	0	0	0	0
Drug-Free Schools Grant	DR-S1-1999	84.186	<u>9,833</u>	<u>0</u>	<u>9,474</u>	<u>0</u>
Total Department of Education			775,221	0	764,049	0
TOTAL FEDERAL ASSISTANCE			<u>\$1,013,681</u>	<u>\$57,724</u>	<u>\$1,002,509</u>	<u>\$66,493</u>

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

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Nonmonetary 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, 2000, the District had no significant food commodities in inventory.



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

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

We have audited the financial statements of the Washington Court House City School District, Fayette County, Ohio (the District), as of and for the fiscal year ended June 30, 2000, and have issued our report thereon dated January 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 19, 2001.

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 the District in a separate letter dated January 19, 2001.

Washington Court House City School District
Fayette County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
Page 2

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

Jim Petro
Auditor of State

January 19, 2001



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

Washington Court House City School District
Fayette County
306 Highland Avenue
Washington Court House, Ohio 43160

To the Board of Education:

Compliance

We have audited the compliance of the Washington Court House City School District, Fayette County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2000. Washington Court House City School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Washington Court House City School District's management. Our responsibility is to express an opinion on Washington Court House City School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about Washington Court House City School 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 Washington Court House City School District's compliance with those requirements.

In our opinion, Washington Court House City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2000.

Internal Control Over Compliance

The management of Washington Court House City School 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 Washington Court House City School 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.

Washington Court House City School District
Fayette County
Report on Compliance with Requirements Applicable to Each Major
Federal Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. We noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of Washington Court House City School District in a separate letter dated January 19, 2001.

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

Jim Petro
Auditor of State

January 19, 2001

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

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 non-compliance at the financial statement level (GAGAS)?	No
(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):	Title 1, CFDA #84.010 National School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE 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 8, 2001**