

WESTERVILLE CITY SCHOOL DISTRICT

General Purpose Financial Statements

June 30, 2000

(With Independent Auditors' Report Thereon)



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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The Board of Education
Westerville City School District
Westerville, Ohio

We have reviewed the independent auditor's report of the Westerville City School District, Franklin County, prepared by KPMG LLP, for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

January 31, 2001

**WESTERVILLE CITY SCHOOL DISTRICT
GENERAL PURPOSE FINANCIAL STATEMENTS**

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Independent Auditors' Report

The Board of Education
Westerville City School District
Westerville, Ohio

and

The Honorable Jim Petro
Auditor of State of Ohio:

We have audited the accompanying general purpose financial statements of Westerville City School District (the District) as of and for the 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 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 District as of June 30, 2000, and the results of operations and the cash flows of its proprietary fund types 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 December 15, 2000 on our consideration of the District's internal control over financial reporting and on 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.

KPMG LLP

December 15, 2000

**Westerville City School District
Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2000**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust & Agency	General Fixed Assets	General Long- Term Obligations	
ASSETS										
Cash and investments	\$ 22,324,716	\$ 1,323,584	\$ 4,350,532	\$ 3,755,115	\$ 429,710	\$ 2,750,996	\$ 264,217	\$ -	\$ -	\$ 35,198,870
Restricted cash and investments	1,777,102	-	-	-	-	-	-	-	-	1,777,102
Property taxes receivable	55,979,608	-	3,149,463	4,131,767	-	-	-	-	-	63,260,838
Other receivables	41,564	1,075	-	-	2,773	65,862	329	-	-	111,603
Due from other:										
Governments	-	46,685	-	-	45,381	-	-	-	-	92,066
Funds	9,497	-	-	-	-	734,459	-	-	-	743,956
Prepays	44,852	-	-	-	-	-	-	-	-	44,852
Inventories	65,832	-	-	-	31,231	-	-	-	-	97,063
Property, plant and equipment (net, where applicable)	-	-	-	-	430,732	-	-	75,384,478	-	75,815,210
Amount available in debt service fund	-	-	-	-	-	-	-	-	5,020,826	5,020,826
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	-	45,865,313	45,865,313
Total assets	\$ 80,243,171	\$ 1,371,344	\$ 7,499,995	\$ 7,886,882	\$ 939,827	\$ 3,551,317	\$ 264,546	\$ 75,384,478	\$ 50,886,139	\$ 228,027,699
LIABILITIES										
Accounts payable	\$ 1,969,836	\$ 195,209	\$ -	\$ 276,513	\$ 6,937	\$ 50,168	\$ 7,317	\$ -	\$ -	\$ 2,505,980
Due to other:										
Governments	308,661	-	17,928	23,352	-	-	-	-	-	349,941
Funds	713,237	19,199	-	-	11,520	-	-	-	-	743,956
Other	-	93,470	-	-	-	-	244,219	-	-	337,689
Deferred revenue	44,269,095	482,452	2,461,241	3,655,327	3,930	-	-	-	-	50,872,045
Accrued liabilities	9,722,534	121,547	-	-	284,627	1,137,249	-	-	7,836,284	19,102,241
General obligation bonds payable	-	-	-	-	-	-	-	-	43,049,855	43,049,855
Total liabilities	56,983,363	911,877	2,479,169	3,955,192	307,014	1,187,417	251,536	-	50,886,139	116,961,707
EQUITY AND OTHER CREDITS										
Investment in general fixed assets	-	-	-	-	-	-	-	75,384,478	-	75,384,478
Contributed capital	-	-	-	-	245,350	-	-	-	-	245,350
Retained earnings	-	-	-	-	387,463	2,363,900	-	-	-	2,751,363
Fund balances (deficit):										
Reserved for encumbrances	623,285	287,079	-	545,869	-	-	-	-	-	1,456,233
Reserved for budgetary stabilization	1,777,102	-	-	-	-	-	-	-	-	1,777,102
Reserved for prepaids	44,852	-	-	-	-	-	-	-	-	44,852
Reserved for inventories	65,832	-	-	-	-	-	-	-	-	65,832
Reserved for future years' appropriations	11,829,763	-	688,222	908,501	-	-	-	-	-	13,426,486
Unreserved	8,918,974	172,388	4,332,604	2,477,320	-	-	13,010	-	-	15,914,296
Total retained earnings/fund balances	23,259,808	459,467	5,020,826	3,931,690	387,463	2,363,900	13,010	-	-	35,436,164
Total Equity and Other Credits	23,259,808	459,467	5,020,826	3,931,690	632,813	2,363,900	13,010	75,384,478	-	111,065,992
Total Liabilities and Fund Equity	\$ 80,243,171	\$ 1,371,344	\$ 7,499,995	\$ 7,886,882	\$ 939,827	\$ 3,551,317	\$ 264,546	\$ 75,384,478	\$ 50,886,139	\$ 228,027,699

See accompanying notes to the general purpose financial statements

Westerville City School District
Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Fund
For the Year Ended June 30, 2000

	Governmental Fund Types					Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only) June 30, 2000
Revenues						
Property taxes	\$ 48,850,953	\$ -	\$ 3,068,849	\$ 3,519,460	\$ -	\$ 55,439,262
State sources	30,319,189	1,454,035	431,123	475,018	-	32,679,365
Federal sources	-	1,345,344	-	-	-	1,345,344
Investment income	2,041,455	8,776	-	45,309	-	2,095,540
Tuition	261,034	-	-	-	-	261,034
Extra-curricular	-	1,073,524	-	-	-	1,073,524
Other local sources	319,699	-	-	-	2,345	322,044
Miscellaneous sources	270,435	108,631	-	-	-	379,066
Total Revenues	<u>82,062,765</u>	<u>3,990,310</u>	<u>3,499,972</u>	<u>4,039,787</u>	<u>2,345</u>	<u>93,595,179</u>
Expenditures						
Current:						
Instructional services:						
Regular	44,774,188	678,349	-	-	-	45,452,537
Special	6,652,700	362,781	-	-	-	7,015,481
Vocational	2,158,270	72,190	-	-	-	2,230,460
Continuing	5,263	-	-	-	-	5,263
Other	755,637	-	-	-	-	755,637
Total Instructional Services	<u>54,346,058</u>	<u>1,113,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,459,378</u>
Support services:						
Pupils	3,242,433	423,469	-	-	-	3,665,902
Staff	2,351,645	900,386	-	-	-	3,252,031
General administration	1,124,098	-	-	-	-	1,124,098
School administration	6,126,073	154,484	-	-	-	6,280,557
Fiscal administration	1,420,786	-	46,064	-	-	1,466,850
Business operations	1,267,824	1,762	-	-	-	1,269,586
Operation & maintenance	8,513,216	1,405	-	-	-	8,514,621
Student transportation	4,188,079	6,604	-	-	-	4,194,683
Central services	1,145,607	106,472	-	-	-	1,252,079
Community services	1,731	452,970	-	-	-	454,701
Extra-curricular academic	62,557	146,567	-	-	3,665	212,789
Extra-curricular occupational	-	9,338	-	-	-	9,338
Extra-curricular sport	636,221	477,439	-	-	-	1,113,660
Extra-curricular civic	244,278	142,737	-	-	-	387,015
Total Support Services	<u>30,324,548</u>	<u>2,823,633</u>	<u>46,064</u>	<u>-</u>	<u>3,665</u>	<u>33,197,909</u>
Capital outlay	296,835	-	-	3,122,592	-	3,419,427
Debt service:						
Principal retirement	-	-	2,505,000	-	-	2,505,000
Interest	-	-	2,514,441	-	-	2,514,441
Total Expenditures	<u>84,967,441</u>	<u>3,936,953</u>	<u>5,065,505</u>	<u>3,122,592</u>	<u>3,665</u>	<u>97,096,155</u>
Excess (deficiency) of revenues over expenditures	(2,904,676)	53,357	(1,565,533)	917,195	(1,320)	(3,500,976)
Other financing sources (uses):						
Proceeds on sale of assets	21,990	-	-	-	-	21,990
Operating transfers in	-	36,000	-	-	-	36,000
Operating transfers out	(36,000)	-	-	-	-	(36,000)
Total other financing sources (uses)	<u>(14,010)</u>	<u>36,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,990</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,918,686)	89,357	(1,565,533)	917,195	(1,320)	(3,478,986)
Fund balances at beginning of year	26,178,494	370,110	6,586,359	3,014,495	14,330	36,163,788
Fund balances at end of year	<u>\$ 23,259,808</u>	<u>\$ 459,467</u>	<u>\$ 5,020,826</u>	<u>\$ 3,931,690</u>	<u>\$ 13,010</u>	<u>\$ 32,684,802</u>

See accompanying notes to the general purpose financial statements

**Westerville City School District
 Combined Statement of Revenues, Expenditures, and
 Changes in Fund Balances - Budget and Actual -
 All Governmental Fund Types - Budget Basis
 For the Year Ended June 30, 2000**

	General			Special Revenue			Debt Service			Capital Projects		
	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)
Revenues												
Taxes	\$ 49,963,381	\$ 53,689,887	\$ 3,726,506	\$ -	\$ -	\$ -	\$ 5,079,636	\$ 3,983,433	\$ (1,096,203)	\$ 4,825,429	\$ 3,388,530	\$ (1,436,899)
Tuition	260,000	387,270	127,270	-	-	-	-	-	-	-	-	-
Investment income	2,038,800	2,041,455	2,655	8,950	8,776	(174)	-	-	-	43,000	45,309	2,309
Extracurricular	-	-	-	1,177,200	1,073,524	(103,676)	-	-	-	-	-	-
Classroom material fees	335,000	323,285	(11,715)	-	-	-	-	-	-	-	-	-
Miscellaneous receipts	497,800	256,959	(240,841)	247,597	144,942	(102,655)	-	-	-	-	-	-
State sources	30,308,990	30,319,189	10,199	1,214,577	1,108,447	(106,130)	430,789	431,124	335	727,148	727,482	334
Federal sources	-	-	-	1,613,215	1,373,728	(239,487)	-	-	-	-	-	-
Total Revenue	\$ 83,403,971	\$ 87,018,045	\$ 3,614,074	\$ 4,261,539	\$ 3,709,417	\$ (552,122)	\$ 5,510,425	\$ 4,414,557	\$ (1,095,868)	\$ 5,595,577	\$ 4,161,321	\$ (1,434,256)
Expenditures												
Salaries and Wages	58,873,412	57,458,892	1,414,520	924,265	780,382	143,883	-	-	-	-	-	-
Retirement and Insurance Benefits	15,047,447	13,684,047	1,363,400	244,306	172,378	71,928	-	-	-	-	-	-
Purchased Services	8,063,585	7,702,081	361,504	1,679,004	1,415,926	263,078	-	-	-	66,729	69,645	(2,916)
Supplies and Materials	3,036,665	2,859,353	177,312	716,232	639,531	76,701	-	-	-	219,796	222,274	(2,478)
Capital Outlay	777,847	747,384	30,463	341,726	259,915	81,811	-	-	-	3,073,820	2,977,698	96,122
Other	2,144,786	2,066,444	78,342	643,066	520,575	122,491	5,120,000	5,075,881	44,119	44,115	44,113	2
Total Expenditures	\$ 87,943,742	\$ 84,518,201	\$ 3,425,541	\$ 4,548,599	\$ 3,788,707	\$ 759,892	\$ 5,120,000	\$ 5,075,881	\$ 44,119	\$ 3,404,460	\$ 3,313,730	\$ 90,730
Excess (deficiency) of revenues over expenditures, carried forward	(4,539,771)	2,499,844	7,039,615	(287,060)	(79,290)	207,770	390,425	(661,324)	(1,051,749)	2,191,117	847,591	(1,343,526)
Other financing sources/uses												
Other financing sources:												
Proceeds on sale of assets	9,000	21,990	12,990	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	2,237	2,237	-	-	-	-	-	-	-
Advances in	89,439	89,439	-	-	9,497	9,497	-	-	-	-	-	-
Refund of prior year expenditures	42,760	43,054	294	-	34	34	-	-	-	-	-	-
Other financing uses:												
Advances out	(783,740)	(9,497)	774,243	(89,439)	(89,439)	-	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	(2,237)	(2,237)	-	-	-	-	-	-	-
Total other financing sources (uses)	(642,541)	144,986	787,527	(89,439)	(79,908)	9,531	-	-	-	-	-	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	(5,182,312)	2,644,830	7,827,142	(376,499)	(159,198)	217,301	390,425	(661,324)	(1,051,749)	2,191,117	847,591	(1,343,526)
Beginning fund balance	18,291,485	18,291,485	-	887,691	887,691	-	5,011,856	5,011,856	-	1,912,658	1,912,658	-
Lapsed encumbrances	572,378	572,378	-	112,803	112,803	-	-	-	-	172,487	172,487	-
Ending fund balance	\$ 13,681,551	\$ 21,508,693	\$ 7,827,142	\$ 623,995	\$ 841,296	\$ 217,301	\$ 5,402,281	\$ 4,350,532	\$ (1,051,749)	\$ 4,276,262	\$ 2,932,736	\$ (1,343,526)

See accompanying notes to the general purpose financial statements

(Continued)

Westerville City School District
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual -
All Governmental Fund Types - Budget Basis - continued
For the Year Ended June 30, 2000

	Total (Memorandum only)		
	Revised budget	Actual	Variance favorable (unfavorable)
Revenue			
Taxes	\$ 59,868,446	\$ 61,061,850	\$ 1,193,404
Tuition	260,000	387,270	127,270
Investment income	2,090,750	2,095,540	4,790
Extracurricular	1,177,200	1,073,524	(103,676)
Classroom material fees	335,000	323,285	(11,715)
Miscellaneous receipts	745,397	401,901	(343,496)
State sources	32,681,504	32,586,242	(95,262)
Federal sources	1,613,215	1,373,728	(239,487)
Total Revenue	\$ 98,771,512	\$ 99,303,340	\$ 531,828
Expenditures			
Salaries and Wages	59,797,677	58,239,274	1,558,403
Retirement and Insurance Benefits	15,291,753	13,856,425	1,435,328
Purchased Services	9,809,318	9,187,652	621,666
Supplies and Materials	3,972,693	3,721,158	251,535
Capital Outlay	4,193,393	3,984,997	208,396
Other	7,951,967	7,707,013	244,954
Total Expenditures	101,016,801	96,696,519	4,320,282
Excess (deficiency) of revenues over expenditures, carried forward	(2,245,289)	2,606,821	4,852,110
Other financing sources/uses			
Other financing sources:			
Proceeds on sale of assets	9,000	21,990	12,990
Other revenue	2,237	2,237	-
Advances in	89,439	98,936	9,497
Refund of prior year expenditures	42,760	43,088	328
Other financing uses:			
Advances out	(873,179)	(98,936)	774,243
Refund of prior year receipts	(2,237)	(2,237)	-
Total other financing sources (uses)	(731,980)	65,078	797,058
Excess (deficiency) of revenues and other sources over expenditures and other uses	(2,977,269)	2,671,899	5,649,168
Beginning fund balance	26,103,690	26,103,690	-
Lapsed encumbrances	857,668	857,668	-
Ending fund balance	<u>23,984,089</u>	<u>29,633,257</u>	<u>5,649,168</u>

See accompanying notes to the general purpose financial statements

Westerville City School District
Combined Statement of Revenues, Expenses and Changes
in Retained Earnings -- All Proprietary Fund Types
Year ended June 30, 2000

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum only)</u>
Operating revenues:			
Charges for services	\$ -	\$ 5,925,201	\$ 5,925,201
Food service sales	2,590,103	-	2,590,103
Class material fees	100,962	-	100,962
Other	<u>5,646</u>	<u>-</u>	<u>5,646</u>
Total operating revenues	2,696,711	5,925,201	8,621,912
Operating expenses:			
Claims	-	6,809,130	6,809,130
Personal services	1,501,855	-	1,501,855
Purchased services	16,727	455,668	472,395
Materials and supplies	1,510,880	-	1,510,880
Depreciation	43,472	-	43,472
Other	<u>14,127</u>	<u>-</u>	<u>14,127</u>
Total operating expenses	<u>3,087,061</u>	<u>7,264,798</u>	<u>10,351,859</u>
Operating loss	<u>(390,350)</u>	<u>(1,339,597)</u>	<u>(1,729,947)</u>
Non-operating revenues/(expenses):			
Grants:			
State sources	11,856	-	11,856
Federal sources	353,912	-	353,912
Investment income	29,495	159,822	189,317
Loss on disposal of assets	<u>(17,970)</u>	<u>-</u>	<u>(17,970)</u>
Total Non-operating revenues/(expenses)	<u>377,293</u>	<u>159,822</u>	<u>537,115</u>
Net loss	(13,057)	(1,179,775)	(1,192,832)
Addback of depreciation on fixed assets acquired with contributed capital	<u>35,138</u>	<u>-</u>	<u>35,138</u>
Increase (Decrease) in retained earnings	22,081	(1,179,775)	(1,157,694)
Retained earnings at beginning of year	<u>365,382</u>	<u>3,543,675</u>	<u>3,909,057</u>
Retained earnings at end of year	<u>\$ 387,463</u>	<u>\$ 2,363,900</u>	<u>\$ 2,751,363</u>

See accompanying notes to the general purpose financial statements.

Westerville City School District
Combined Statement of Cash Flows-All Proprietary Fund Types
Year Ended June 30, 2000

	Enterprise	Internal Service	Total (Memorandum only)
Cash flows from operating activities:			
Operating loss	\$ (390,350)	(1,339,597)	\$ (1,729,947)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	\$43,472	-	\$43,472
Donated commodities	53,295	-	53,295
Decrease (Increase) in receivables	1,332	(61,616)	(60,284)
Increase in due from other funds	-	(52,242)	(52,242)
Increase in inventory	(130)	-	(130)
Increase (Decrease) in payables	2,153	(12,770)	(10,617)
(Decrease) in due to other funds	(1,176)	-	(1,176)
Increase in deferred revenue	1,141	-	1,141
Increase in accrued liabilities	27,865	231,877	259,742
Net adjustment	127,952	105,249	233,201
Net cash used by operating activities	(262,398)	(1,234,348)	(1,496,746)
Cash flows from noncapital financing activities:			
State sources	13,818	-	13,818
Federal sources	293,349	-	293,349
Net cash provided by noncapital financing activities	307,167	-	307,167
Cash flows from capital and relating financing activities:			
Acquisition of capital assets	(138,871)	-	(138,871)
Cash flows from investing activities:			
Investment income	29,495	159,822	189,317
Net decrease in cash and cash equivalents	(64,607)	(1,074,526)	(1,139,133)
Cash and cash equivalents at beginning of year	494,317	3,825,522	4,319,839
Cash and cash equivalents at end of year	\$429,710	2,750,996	\$3,180,706
<u>Supplemental Information:</u>			
Noncash activities			
Donated commodities	\$53,925	-	\$53,925
Loss on disposal of assets	\$17,970	-	\$17,970

See accompanying notes to the general purpose financial statements

WESTERVILLE CITY SCHOOL DISTRICT

Notes to the General Purpose Financial Statements

June 30, 2000

(1) DESCRIPTION OF THE SCHOOL DISTRICT

The Westerville City School District (the School District) was organized in the early 1850's and is a fiscally independent political subdivision of the State of Ohio. The School District is governed by a five-member board of education (the Board) elected by the citizens of the School District.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School 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 School District's significant accounting policies are described below.

(a) *The Reporting Entity*

The accompanying general purpose financial statements comply with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", in that the financial statements include all organizations, activities and functions for which the School District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either (i) the School District's ability to impose its will over a component unit, or (ii) the possibility that the component unit will provide a financial benefit or impose a financial burden on the School District. On that basis, the reporting entity of the School District includes the services of the School District only (i.e., there are no component units).

(b) *Fund Accounting*

The School District uses funds and account groups to report on 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.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

Governmental Funds

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

General Fund—The General Fund is the general operating fund of the School 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 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 Fund is used to account for financial resources to be used for the acquisition and/or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds

Proprietary funds are used to account for the School 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 for sound financial administration. The following are the School District's proprietary fund types.

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

Internal Service Funds—Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government generally on a cost reimbursement basis.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust and Agency Funds.

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Notes to Financial Statements, Continued

Expendable Trust Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Expendable trust funds are accounted for and reported as governmental funds.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Account Group—This group of accounts is established to account for all fixed assets of the School 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 School District except 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 and decreases (i.e., revenues and other financing sources and expenditures and other financing uses) in net current assets.

All proprietary 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 and decreases (e.g., revenues and expenses) in net total assets.

The modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenue. Expenditures are recorded when the liability is incurred except for (1) principal and interest on general long-term obligations, which is recorded when due; (2) the non-current portions of accrued vacation and sick leave which are recorded in the general long-term debt account group, and (3) the portion of pension obligations and claims and judgments payable which will not utilize available resources which are also recorded in the general long-term debt account group.

The School District reports deferred revenue on its combined balance sheet. Deferred revenue arises when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Current property taxes

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Notes to Financial Statements, Continued

measurable but not available as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenue. Deferred revenue also arises when resources are received by the School District before it has a legal claim to them, as when grant moneys are received prior to the occurrence 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. Miscellaneous revenues are generally recorded as revenues when received in cash because they are generally not measurable until received. Investment earnings are recorded when earned.

The proprietary 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.

Pursuant to GASB Statement 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, the School District follows GASB guidance as applicable to its proprietary funds, and Financial Accounting Standards Boards Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB Pronouncements.

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

(d) Budgets

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for the fiscal year 2000 was 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 Franklin County Budget Commission for a tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources (the Certificate) which states the projected revenue for each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will

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Notes to Financial Statements, Continued

not exceed the amount stated in the certificate. 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 School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for fiscal 2000.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures for the General fund and at the fund level for all other funds, 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 County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter object appropriations within the fund 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 funds and functions 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, decrease or increased the originally appropriated amounts. All supplemental appropriations were legally adopted by the Board during fiscal 2000 in the following amounts:

<u>Fund</u>	<u>Original appropriation</u>	<u>Revisions</u>	<u>Revised appropriation</u>
General	88,963,191	(235,709)	88,727,482
Special revenue	3,569,468	1,070,807	4,640,275
Debt service	5,095,000	25,000	5,120,000
Capital projects	5,440,930	(2,036,470)	3,404,460
Enterprise	2,750,000	444,324	3,194,324
Internal service	5,900,000	1,225,000	7,125,000
Trust & Agency	545,000	71,642	616,642

The School District did not exceed budget at the object level for any fund except as follows: Capital Projects fund, Purchased Services and Supplies and Materials objects.

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Notes to Financial Statements, Continued

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund and object level.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in governmental funds. Encumbrances are reported as reservations of fund balance, in accordance with GAAP, since they do not constitute expenditures or liabilities.

9. The School District prepares its budget on a basis of accounting that differs from GAAP. The actual results of operations are presented in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—All Governmental Fund Types in accordance with the budget basis of accounting. The major differences between the budgetary basis of accounting and GAAP are outlined.

	<u>Budget Basis</u>	<u>GAAP Basis</u>
Revenues are recorded	when received in cash	when susceptible to accrual
Expenditures are recorded	when encumbered	when the liability is incurred
Encumbrances are recorded	as the equivalent of an expenditure	as a reservation of the fund balance

(e) Cash and Investments

Under existing statutes, all investment earnings accrue to the General Fund except earnings specifically related to the Special Revenue Fund, Capital Projects Fund, Enterprise Fund, Internal Service Fund and Expendable Trust and Agency Fund.

Restricted assets in the general fund represent cash and cash equivalents for which use is limited by legal requirements. Restricted assets include amounts required by statute to be set-aside by the School District to create a reserve for budget stabilization. See note 9 for calculation of year-end restricted asset balance and the corresponding fund balance reserve.

(f) Inventories

Inventories are valued at cost using the first in/first out (FIFO) method and are determined by physical count. The costs of governmental and proprietary fund type inventories are recorded as expenditures/expenses when consumed rather than when purchased.

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Notes to Financial Statements, Continued

(g) Fixed Assets and Depreciation

General Fixed Asset Account Group—General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. The School District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 2 years. No depreciation is recognized for assets in the General Fixed Assets Account Group. The School District does not maintain any infrastructure.

Proprietary Funds—Property, plant and equipment reflected in proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated and contributed fixed assets are recorded at their fair market values as of the date received. The School District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 2 years. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 5 to 20 years for equipment. Depreciation expense on assets acquired through contributions is recorded as a reduction of contributed capital. For fiscal 2000, there were no capitalized interest costs incurred in the Proprietary Funds.

(h) Intergovernmental Revenues

Intergovernmental moneys and entitlements are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary operations are recognized as revenue when measurable and earned.

(i) Compensated Absences

The School District follows GASB Statement No. 16, *Accounting for Compensated Absences*, which requires that a liability be accrued for sick leave if it is probable that the employee will be compensated through cash payment. Upon retirement, School District employees are paid their accumulated balances up to a fixed number of days. This number is determined by negotiated agreements or board policy depending on the employee's classification.

Vested and accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of its respective governmental fund. Amounts of vested and accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported in the General Long-Term Obligations Account Group. No expenditure is reported for these amounts. Vested and accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

WESTERVILLE CITY
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Notes to Financial Statements, Continued

(j) 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 Obligation Account Group.

(k) Fund Equity

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available spendable resources and therefore are not available for appropriation for expenditures. Fund equity reserves have been established for encumbrances, prepaids, inventories, property tax revenue reserved by the Board for future year's appropriations and a reserve for budget stabilization as required by state statute (see note 9).

(l) Interfund Transactions

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

(m) Statement of Cash Flows

For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments, with a maturity of three months or less when purchased, to be cash equivalents. In addition, all cash and investments are also considered to be cash equivalents, since they are available to the proprietary funds on demand.

(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 cash flows in conformity with GAAP. Such data is not comparable to a consolidation since interfund eliminations have not been made.

(o) New Accounting Pronouncements

In December 1998, the GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement requires the recognition of nonexchange transactions in the financial statements unless the transactions are not measurable (reasonably estimable) or are not probable of collection. This statement is effective for periods beginning after June 15, 2000, and the School District has not adopted the provisions of this statement in the accompanying financial statements. Management has not completed the process of evaluating the impact that will result from this adopting this statement, and therefore is unable to disclose the impact that adopting the statement will have on its financial position and results of operations when such statement is adopted.

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Notes to Financial Statements, Continued

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This statement represents a significant change in the way state and local governments present the basic financial information. This statement is effective for periods beginning after June 15, 2002, and the School District has not adopted the provisions of this statement in the accompanying financial statements. Management has not completed the process of evaluating the impact that will result from this adopting this statement, and therefore is unable to disclose the impact that adopting the statement will have on its financial position and results of operations when such statement is adopted.

(3) CASH AND INVESTMENTS

(a) Cash

In 1998, the School District adopted GASB Statement No. 31 (GASB No. 31) *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

The investment and deposit of the School District's moneys is governed by the provisions of the Ohio Revised Code (ORC). In accordance with these statutes, the School District is authorized to invest in United States and State of Ohio bonds, notes, and other obligations; bank certificates of deposit; banker acceptances; commercial paper notes rated prime and issued by United States corporations; repurchase agreements secured by United States obligation; and STAROhio.

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 Securities Exchange Commission as an investment company, but does operate in a manner similar to 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, 2000.

Under state law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by the FDIC, or may pledge a pool of government securities valued at least 110% of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 2 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name.

During 2000, the School District complied with the provision of these statutes.

(b) Deposits with financial institutions

At year-end, the School District carried account balances at three banks. The carrying amount of all School District deposits was \$(1,120,456), including \$2,000,000 in non-negotiable certificates of deposit. The School District maintains an overnight repurchase agreement that invests all available funds at the end of each day. This repurchase agreement is reported as an

WESTERVILLE CITY
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Notes to Financial Statements, Continued

investment. The total balance at these banks was \$70,738 of which \$70,738 was covered by FDIC insurance. These uncollateralized deposits were, however, covered by a pledged collateral pool as discussed above.

(c) **Investments**

The School District's investments are categorized to give an indication of the level of risk assumed by the School District. 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 for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent. The investment in STAROhio is not required to be categorized due to its nature.

<u>Type of investment</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying/ fair value</u>
Treasury notes	-	\$5,952,326	-	\$5,952,326
Federal agency notes	-	13,850,527	-	13,850,527
Commercial paper	-	3,945,105	-	3,945,105
Banker's acceptance	-	2,424,350	-	2,424,350
Repurchase agreement	-	-	\$1,211,701	1,211,701
Subtotal	-	<u>\$26,172,308</u>	<u>\$1,211,701</u>	27,384,009
STAROhio				<u>10,712,419</u>
Total investments				\$38,096,428
Carrying amount of deposits				<u>(1,120,456)</u>
Total cash/investments				<u>\$36,975,972</u>

(4) **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 and tangible (used in business) property located in the School District.

Real property and tangible personal property taxes collected during fiscal year 2000 had a lien and levy date of January 1, 1999.

The Franklin and Delaware County treasurers collect property taxes on behalf of the School District. The county auditors periodically remit to the School District their portion of the taxes collected. These tax "advances" are based on cash flow collections of the county auditors and are available by request of the School District. Final "settlements" are made to the School District each February and August.

WESTERVILLE CITY
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Notes to Financial Statements, Continued

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

Tangible personal property taxes attach as a lien and are levied January 1 of the current year. Tangible personal property assessments are 28% of true value.

The assessed values for collection in 2000, upon which the 1999 levies were based, were as follows:

Agricultural/Residential Real Estate	\$1,206,531,720
Commercial/Industrial Real Estate	339,300,800
Public Utility Tangible Property	62,846,340
General Tangible Property	<u>102,497,145</u>
Total	<u><u>\$1,711,176,005</u></u>

Real property taxes due for Franklin County are payable annually or semiannually. If paid annually, payment is due January 20; if paid semiannually, payment is due January 20, with the remainder payable by June 20.

Real property taxes due for Delaware County are payable annually or semiannually. If paid annually, payment is due February 10; if paid semiannually, payment is due February 10, with the remainder payable by July 10.

Property taxes receivable represents real property, personal property, and public utility taxes which are measurable but not available as of June 30, 2000 and therefore, are recorded as deferred revenue, except for moneys available as an advance to the School District as of June 30, 2000 which are recognized as revenue as they are both measurable and available.

(5) RECEIVABLES/DUE FROM OTHER GOVERNMENTS

Receivables and due from other governments at June 30, 2000 consisted of accounts and other principally intergovernmental grants and entitlements. A summary of the principal items are as follows:

<u>Fund</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ -	41,564	\$ 41,564
Special revenue	46,685	1,075	47,760
Enterprise	45,381	2,773	48,154
Internal service	-	65,862	65,862
Expendable Trust & Agency	-	329	329
Total	<u>\$ 92,066</u>	<u>111,603</u>	<u>\$ 203,669</u>

WESTERVILLE CITY
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Notes to Financial Statements, Continued

(6) INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2000 consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$9,497	713,237
Special revenue—		
OTIP School to Work	—	1,250
Title I Grants	—	2,156
Title VI-R Grants	—	974
Title VI-B Grants	—	3,413
Safe and Drug-Free Schools	—	8,341
Auxiliary Services	—	3,065
Special revenue subtotal	—	19,199
Enterprise - Food Service	—	11,520
Internal Service	734,459	—
	<u>\$743,956</u>	<u>\$743,956</u>

(7) PROPERTY, PLANT AND EQUIPMENT

A summary of the changes in the General Fixed Asset Account Group for the fiscal year follows:

	<u>Balance</u> <u>June 30, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2000</u>
Land/improvements	\$3,359,173	328,364	—	\$3,687,537
Buildings	50,758,593	1,502,004	—	52,260,597
Furniture/equipment	13,326,811	1,253,911	267,315	14,313,407
Buses	4,373,966	641,416	339,969	4,675,413
Vehicles	379,438	68,086	—	447,524
	<u>\$72,197,981</u>	<u>3,793,781</u>	<u>607,284</u>	<u>\$75,384,478</u>

A summary of the proprietary fund property, plant and equipment at June 30, 2000 follows:

Furniture and equipment	\$1,142,687
Less accumulated depreciation	<u>(711,955)</u>
Net fixed assets	<u>\$430,732</u>

WESTERVILLE CITY
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Notes to Financial Statements, Continued

(8) GENERAL LONG-TERM OBLIGATIONS

All current obligation bonds outstanding, issued to provide funds for the acquisition and construction of equipment and facilities, are general obligations of the School District for which the full faith and credit of the School District is pledged for repayment. Accordingly, unmatured obligations of the School District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. General obligations currently outstanding are reported below.

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate (1)</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Balance at June 30, 2000</u>
Public library (2)	09/01/79	6.00%	12/01/02	1,450,000	\$180,000
Construction and improvements (3)	02/01/87	6.25%	12/01/10	37,000,000	17,710,000
Public library (4)	09/15/95	5.69%	12/01/18	6,899,981	5,829,981
Construction and improvements (5)	08/01/96	5.74%	12/01/22	19,984,875	19,329,874
					\$43,049,855

- (1) Weighted average coupon at time of original issue.
- (2) Completed library addition and major renovations.
- (3) Constructed new middle school and two new elementary schools. Also completed major renovations at both high schools, one middle school and one elementary school.
- (4) Completed library addition and major renovations.
- (5) Constructed new middle school and completed renovation at one high school.

The following is a summary of the School District's future annual debt service requirements to maturity for general obligation bonds:

<u>Year ending June 30,</u>	<u>Interest rates</u>	<u>Principal</u>	<u>Interest</u>
2001	3.70—6.25	\$ 2,410,000	\$ 2,375,127
2002	3.70—6.25	2,328,532	2,387,710
2003	3.70—6.25	2,031,010	2,577,965
2004	3.70—6.25	1,957,469	2,504,081
2005	3.70—6.25	2,092,844	2,262,381
2006 and thereafter	3.70—6.25	32,230,000	14,335,823
Total		\$ 43,049,855	\$ 26,443,087

The ORC provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The ORC further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District.

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Notes to Financial Statements, Continued

The total voted and non-voted non-exempt debt of the School District that could be issued subject to the 9% limitation described above is \$154,005,840. The total School District debt (including the Bonds) subject to this limitation is \$43,049,855. The total School District unvoted debt that could be issued subject to the 1/10 of 1% limitation is \$1,711,176. The School District has no debt subject to such limitation, leaving \$1,711,176 available for unvoted debt. The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$115,976,811 and an unvoted debt margin of \$1,711,176.

The aggregate amount of the School District's unvoted debt is also subject to overlapping debt restrictions with the Westerville Public Library (the Library). As of June 30, 2000, the School District and the Library have complied with the requirement that unvoted overlapping debt must not exceed 1% (10 mills) of the assessed property value.

A summary of the changes in the general long-term debt account group follows:

	<u>Balance</u> <u>June 30, 1999</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2000</u>
Accrued liabilities:				
Accrued vacation and sick leave	\$7,453,858	-	139,288	\$7,314,570
Pension obligations	495,924	521,714	495,924	521,714
Subtotal	7,949,782	521,714	635,212	7,836,284
General obligation bonds payable	45,554,855	-	2,505,000	43,049,855
	<u>\$53,504,637</u>	<u>521,714</u>	<u>3,140,212</u>	<u>\$50,886,139</u>

Additions and deletions of accrued vacation and sick leave are shown net, since it is impracticable for the School District to determine these amounts separately.

The Library is a school district library created under Chapter 3375 of the Ohio Revised Code and is located in the School District. In May 1995, as required by state law, the School District approved, on behalf of the Library, general obligation library improvement bonds during a general election of the School District voters. On September 15, 1995, these bonds were issued in the amount of \$6,899,981. The bonds bear interest at rates ranging from 3.7% to 5.69% with principal maturities through 2018. Additionally, in April 1979, as required by state law, the School District approved, on behalf of the Library, general obligation library improvement bonds during a general election of the School District voters. On September 1, 1979, these bonds were issued in the amount of \$1,450,000. The bonds bear interest at rates of 6% with principal maturities through 2002.

Although the bonds are issued on behalf of the Library and the proceeds of the bonds were transferred to the Board of Trustees of the Library, the bonds constitute indebtedness of the School District and are considered in determining the School District's debt limitations. Property tax revenues collected to retire the debt are paid directly to the School District, and the School District pays the principal and interest of the debt.

In the opinion of management, the School District has complied with all bond covenants.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(9) SET ASIDE CALCULATIONS AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. The School District is also required to set aside money for budget stabilization to help protect against cyclical changes in revenues and expenditures.

The following cash basis information describes the change in year end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, July 1, 1999	\$ –	–	1,083,362
Required Set-Aside	1,982,139	1,982,139	693,740
Qualifying Expenditures	<u>(2,353,763)</u>	<u>(2,766,267)</u>	<u>–</u>
Total	<u>\$(371,624)</u>	<u>(784,128)</u>	<u>1,777,102</u>
Balance Carried Forward at June 30, 2000	<u>–</u>	<u>–</u>	<u>1,777,102</u>

(10) EMPLOYEE RETIREMENT SYSTEMS

(a) *School Employees Retirement System*

Plan Description—All noncertified School District employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. 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 state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 45 N. Fourth Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

Funding Policy—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% for employers of 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 contribution requirements for the years ended June 30, 2000, 1999 and 1998 from the School District were \$1,519,195, \$1,459,136 and \$1,341,990, respectively, equal to the required contributions for each year.

(b) State Teachers Retirement System

Plan Description and Provisions—State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer, public employee retirement system.

STRS Ohio is a statewide retirement plan for certified teacher and other faculty members employed in the public schools of Ohio. Any member who has (i) five years of service credit and has attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age may retire. They are entitled to retirement benefits, payable for life, equal to a member's lifetime contributions plus interest matched by the employer and adjusted by an actuarially determined factor of 2.1% of final average salary per year and 2.5% per year for earned Ohio service over 30 years up to a maximum of 100% of final average salary. Final average salary is the average of the member's 3 highest years' salaries.

Chapter 3307 of the ORC provides statutory authority for employee and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 1999 were 9.3% of covered payroll for employees and 14% for employers. The School District's contribution requirement for the years ended June 30, 2000, 1999 and 1998 was \$6,799,246, \$6,334,760 and \$5,946,240, respectively, equal to the required contributions for each year.

STRS Ohio issues a stand-alone financial report. Copies of STRS' 1999 *Comprehensive Annual Financial Report* can be requested by writing to STRS, 275 E. Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(11) HEALTH CARE BENEFITS AFTER RETIREMENT

(a) SERS

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 1999, the allocation rate is 6.30%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 1999, the minimum pay has been established as \$12,400. The surcharge rate, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 1999 were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, the Retirement System's net assets available for payment of health care benefits was \$188.0 million.

The number of participants currently receiving benefits is approximately 51,000.

(b) STRS Ohio

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

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

The Board allocates employer contributions equal to 2% of covered payroll to a Health Care Reserve fund from which health care benefits are paid. However, for the fiscal year ended June 30, 1999, the Board allocated employer contributions equal to 8% of covered payroll to the Health Care Reserve Fund. The balance in the health care reserve fund was \$2,783 billion on June 30, 1999. The Health Care Reserve Fund allocation for the year ended June 30, 2000, will be 8% of covered payroll. The net health care costs paid by STRS Ohio were \$249,929,000 for the year ended June 30, 1999. There were 95,796 eligible benefit recipients.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(12) CONTINGENCIES

(a) Grants

The federal and state grants remain subject to review and audit by the grantor agencies or their designees. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Based upon prior experience, the School District believes such disallowances, if any, would be immaterial.

(b) Litigation

At June 30, 2000, there were several lawsuits pending against the School District. In the opinion of management, no material liability is expected to arise from the current pending lawsuits.

(13) SEGMENTS OF ENTERPRISE ACTIVITIES

Key financial data for the School District's enterprise funds for the year ended June 30, 2000 are as follows:

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenues	\$2,595,749	100,962	2,696,711
Operating expenses	2,951,529	92,060	3,043,589
Depreciation expense	43,472	-	43,472
Operating income/(loss)	<u>(399,252)</u>	<u>8,902</u>	<u>(390,350)</u>
Non-operating revenues/(expenses):			
Grants	365,768	-	365,768
Investment income	29,495	-	29,495
Loss on disposal of assets	<u>(17,970)</u>	<u>-</u>	<u>(17,970)</u>
Net income/ (loss)	<u>(\$21,959)</u>	<u>8,902</u>	<u>(13,057)</u>
Property, plant and equipment:			
Additions	<u>\$138,871</u>	<u>-</u>	<u>138,871</u>
Net working capital	<u>\$173,623</u>	<u>28,458</u>	<u>202,081</u>
Total assets	<u>\$911,369</u>	<u>28,458</u>	<u>939,827</u>
Total equity	<u>\$604,355</u>	<u>28,458</u>	<u>632,813</u>
Contributed capital:			
Beginning of year balance	\$280,488	-	280,488
Depreciation	<u>(35,138)</u>	<u>-</u>	<u>(35,138)</u>
End of year balance	<u>\$245,350</u>	<u>-</u>	<u>245,350</u>

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(14) BUDGET BASIS OF ACCOUNTING

The adjustments necessary to convert the results of operations at the end of year on the GAAP basis to the budget basis are as follows:

	Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses			
	<u>General</u>	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>
GAAP basis	(\$2,918,686)	\$89,357	(\$1,565,533)	\$917,195
Increase (decrease):				
Due to revenues:				
Received in cash during fiscal year 2000, but accrued at June 30, 1999	50,162,731	109,279	4,504,259	1,522,261
Accrued at June 30, 2000, not yet received in cash	(56,030,669)	(47,760)	(3,149,463)	(4,131,767)
Deferred at June 30, 1999, but not recognized in budget	(33,333,208)	(894,475)	(2,902,000)	(924,793)
Deferred at June 30, 2000, but not recognized in budget	44,269,095	482,452	2,461,241	3,655,327
Due to expenditures:				
Paid in cash during fiscal 2000, accrued at June 30, 1999	(11,867,115)	(539,141)	(27,756)	(264,209)
Accrued at June 30, 2000	12,714,268	429,425	17,928	299,865
Paid in cash during fiscal 1999, recorded as prepaid/ inventory at June 30, 1999	111,264	-	-	-
Paid in cash during fiscal 2000, recorded as prepaid/ inventory at June 30, 2000	(110,684)	-	-	-
Due to encumbrances:				
Expenditure of amount encumbered at June 30, 1999	2,240,956	693,953	-	596,093
Recognized as expenditure in budget at June 30, 2000	(2,593,122)	(482,288)	-	(822,381)
	<u>\$2,644,830</u>	<u>(\$159,198)</u>	<u>(\$661,324)</u>	<u>\$847,591</u>
Budget basis	<u>\$2,644,830</u>	<u>(\$159,198)</u>	<u>(\$661,324)</u>	<u>\$847,591</u>

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(15) RISK MANAGEMENT

(a) Insurance

The School District provides medical and dental coverage for its employees and is self-insured up to an individual stop loss limit of \$90,000 and an aggregate stop loss limit of \$7,449,154 for the cost of providing this coverage. This internal service fund is funded through employee premiums and Board contributions. Employee and Board contributions are determined by negotiated agreements. Amounts are paid into this fund from other funds and are recorded as charges for services. Allocations to funds and functions within funds are based upon employee assignments and are recorded as expenditures within those funds.

Expenses for claims are recorded as other operating expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The liability reported in the Internal Service fund accrued liabilities account at June 30, 2000 was not discounted. An actuary was used to determine the incurred but not reported (IBNR) liability on an Optimistic (\$1,017,150), Intermediate (\$1,101,227), and a Pessimistic (\$1,387,107) basis. A liability that approximates the Intermediate basis IBNR liability was recorded as those potential expenses are reasonably possible. However, actual expenses may exceed this estimated liability.

The following is a summary of activity for self-insurance claims liability for the years ended June 30, 2000, 1999 and 1998:

	2000	1999	1998
Claims liability at July 1	\$905,372	\$785,015	\$745,823
Incurred claims	6,830,714	6,010,584	5,409,125
Claims paid	(6,598,837)	(5,890,227)	(5,369,933)
Claims liability at June 30	\$1,137,249	\$905,372	\$785,015

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed on note 11. As such, no funding is required by the School District.

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

The School District contracts with an insurance carrier for property insurance and general liability insurance. Professional liability is protected by a \$1,000,000 single occurrence limit, \$5,000,000 aggregate limit and no deductible. Vehicles are also covered and have no deductible for comprehensive and a \$1,000 deductible for collision. Automotive liability has a \$1,000,000 combined single limit of liability.

The School District pays the State Workers Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

The School District provides life insurance and accidental death and dismemberment insurance to all employees in an amount related to the employee's position, ranging from \$30,000 to \$220,000.

WESTERVILLE CITY
SCHOOL DISTRICT

Notes to Financial Statements, Continued

(16) STATE SCHOOL FUNDING DECISION

On March 24, 1997, the Ohio Supreme Court (the 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 the School District. During the fiscal year ended June 30, 2000, the School District received approximately \$24,729,000 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 has reviewed the new laws and, in a decision issued February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State 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, 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 and on its financial operations.

(17) SUBSEQUENT EVENTS

(a) Bond Issuance

In November 2000, the voters of the School District authorized the issuance of bonds for \$99.5 million to build a high school, two elementary schools and to repair, upgrade and renovate all other schools. The School District issued \$8.8 million in bond anticipation notes December 19, 2000 for the purposes of land acquisition and initial start-up costs. The bonds are not expected to be issued before March 2001.

(b) Ameritech Lease

The School District entered into a lease-purchase agreement on October 26, 2000 with Banc One Capital for a major telecommunications project in the amount of approximately \$1,144,000. The selected project vendor is Ameritech/SBC.

WESTERVILLE CITY SCHOOL DISTRICT

Reports Issued Pursuant to the
OMB Circular A-133

June 30, 2000

WESTERVILLE CITY SCHOOL DISTRICT

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

The Board of Education
Westerville City School District
Westerville, Ohio

and

The Honorable Jim Petro
Auditor of State

We have audited the financial statements of Westerville City School District (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the District in a separate letter dated December 15, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 00-1.

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 general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of the District in a separate letter dated December 15, 2000.

This report is intended solely for the information and use of the District's management, the Ohio Auditor of State, 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.

KPMG LLP

December 15, 2000



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**Independent Auditors' Report on Compliance With Requirements
Applicable to Each Major Program and on Internal Control Over
Compliance in Accordance With OMB Circular A-133 and
Schedule of Receipts and Expenditures of Federal Awards**

The Board of Education
Westerville City School District
Westerville, Ohio

and

The Honorable Jim Petro
Auditor of State

Compliance

We have audited the compliance of Westerville City School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

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 the 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.

Schedule of Receipts and Expenditures of Federal Awards

We have audited the general purpose financial statements of the District as of and for the year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of receipts and expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the District's management, the Ohio Auditor of State, 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.

KPMG LLP

December 15, 2000

WESTERVILLE CITY SCHOOL DISTRICT

Schedule of Receipts and Expenditures of Federal Awards

For the year ended June 30, 2000

<u>Federal grantor/Pass through grantor/Program title</u>	<u>Federal CFDA number</u>	<u>Agency or pass-through number</u>	<u>Federal receipts</u>	<u>Federal expendi- tures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE (USDA)</u>				
<i>Pass-through State Department of Education:</i>				
National School Lunch Program	10.555	045047-04-PU	\$ 289,036	289,036
Special Milk Program for Children	10.556	045047-02-PU	4,313	4,313
Subtotal—Child Nutrition Cluster			<u>293,349</u>	<u>293,349</u>
<i>Other Federal Assistance—In kind—</i>				
Food Distribution	10.550	—	53,925	53,295
Subtotal—USDA			<u>347,274</u>	<u>346,644</u>
<u>U.S. DEPARTMENT OF LABOR (DOL)</u>				
<i>Pass-through State Department of Education—</i>				
School to Work	17.249	045047-WK-BE	100,625	97,381
Subtotal—U.S. DOL			<u>100,625</u>	<u>97,381</u>
<u>U.S. DEPARTMENT OF DEVELOPMENT (DOD)</u>				
<i>Pass-through State Department of Development—</i>				
DOD New Technologies for School	81.041	—	3,000	—
Subtotal—U.S. DOD			<u>3,000</u>	<u>—</u>
<u>U.S. DEPARTMENT OF EDUCATION (DOE)</u>				
<i>Pass-through State Department of Education:</i>				
Special Education—Grants to States—Title VI-B	84.027	045047-6B-SF	569,121	520,376
Special Education—Preschool Grants	84.173	045047-PG-S1	41,497	31,906
Subtotal—Special Education Cluster			<u>610,618</u>	<u>552,282</u>
Title I Grants to Local Education Agencies	84.010	045047-C1-S1	222,687	240,488
Title VII SEA Bilingual	84.194	—	3,927	3,206
Innovative Education Program Strategies	84.298	045047-C2-S1	36,532	32,797
Title VI-R Class Size Reduction	84.340	—	66,432	65,588
Goals 2000: State and Local Education Systematic Improvement Grants	84.276	045047-G2-S4	130,270	196,072
Eisenhower Professional Development State Grants	84.281	045047-MS-S1	27,077	55,827
Subtotal—Pass through State DOE			<u>1,097,543</u>	<u>1,146,260</u>
<i>Pass-through Franklin County Educational Service Center —</i>				
Continuous Improvement Funds	84.276	—	4,000	4,000
<i>Pass-through Columbus City School District—</i>				
Vocational Education Basic Grants to States	84.048	—	79,963	77,980
<i>Pass-through Drug-Free Schools Consortium (A Program of The Franklin County Education Council)</i>				
Safe and Drug-Free Schools—State Grants	84.186	—	27,095	34,022
Subtotal—U.S. DOE			<u>1,208,601</u>	<u>1,262,262</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (DHHS)</u>				
<i>Pass-through State Department of Education—</i>				
Refugee School Impact	93.567	—	6,300	4,877
Subtotal—U.S. DHHS			<u>6,300</u>	<u>4,877</u>
<u>U.S. CORPORATION FOR NATIONAL AND COMMUNITY SERVICE (CNCS)</u>				
<i>Pass-through Upper Arlington City School District—</i>				
Career Education America	94.004	—	5,200	11,760
Subtotal—U.S. CNCS			<u>5,200</u>	<u>11,760</u>
TOTAL FEDERAL ASSISTANCE			<u>\$ 1,671,000</u>	<u>1,722,924</u>

See accompanying notes to the Schedule of Receipts and Expenditures of Federal Awards.

WESTERVILLE CITY SCHOOL DISTRICT

Notes to Schedule of Receipts and Expenditures of Federal Awards

June 30, 2000

Note A. General

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of the Westerville City School District (the District) as the primary government. The District's reporting entity is defined in Note 2 to the District's general purpose financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies, is included on the Schedule.

Note B. Basis of Accounting

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented using the cash basis of accounting in which revenues are recognized when received and expenses are recognized when paid.

Note C. Noncash Programs

The District values its noncash programs (Food Distribution from the U.S. Department of Agriculture) on the basis of the market value of the goods received during the fiscal year.

WESTERVILLE CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

For the year ended June 30, 2000

(1) SUMMARY OF AUDITORS' RESULTS

- (a) The type of report issued on the general purpose financial statements: **Unqualified opinion**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **See 00-1 below.**
Material weaknesses: **No**
- (c) Noncompliance which is material to the general purpose financial statements: **No**
- (d) Reportable conditions in internal control over major program: **None reported**
Material weaknesses: **No**
- (e) The type of report issued on compliance for major program: **Unqualified opinion**
- (f) Any audit findings which are required to be reported under section .510(a) of OMB Circular A-133: **No**
- (g) Major program: **Special Education Cluster (CFDA #'s 84.027 and 84.173)**
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- (i) Auditee qualified as a low-risk auditee under section .530 of OMB Circular A-133: **Yes**

(2) FINDINGS RELATING TO THE GENERAL PURPOSE FINANCIAL STATEMENTS REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*:

See finding 00-1

(3) FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS:

None reported.

Finding 00-1; Fixed Asset Tracking

Criteria:

Entities are required to adequately and accurately track and report fixed assets.

Condition:

The District did not adequately and accurately track disposals and did not reconcile physical inventory updates performed by a third party to District records during the past two years. The District does not have formal procedures in place to ensure that fixed asset transactions such as purchases, disposals, or transfers among locations are properly accounted for and recorded in the District's records.

Questioned Costs:

Although the District did not accurately track its disposals or reconcile its books to the third party inventory updates, the District does appear to purchase fixed assets for reasonable District purposes. Consequently, it appears that the amount of questioned costs is \$0.

Context:

Based on the fact that the District's current year disposals are estimated to be less than one percent of the property, plant, and equipment in the District's General Fixed Asset Account Group, there is not a material impact on the financial statements of the District as a result of noncompliance.

Effect:

The District is not properly tracking fixed assets for financial statement purposes.

Cause:

The District has not implemented adequate disposal tracking procedures and did not have the resources to perform a reconciliation of fixed assets to inventory updates performed.

Recommendation:

We recommend the District reconcile the third party's records and the District's fixed asset reports as soon as possible, and large variances should be investigated by the District. Additionally, we recommend the District continue to perform a physical inventory over its fixed assets every 2-3 years, and assets deemed "unusable or obsolete" the asset should be removed from the District's fixed asset listing.

A policy should also be implemented to require faculty and administrative personnel to provide the Business Office with written documentation of a disposal of equipment and approval of the Business Office should be required for all items greater than \$500.



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WESTERVILLE CITY SCHOOL DISTRICT

FRANKLIN 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 20, 2001**