WEST LIBERTY - SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

WEST -LIBERTY SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

West Liberty - Salem Local School District
Champaign County
7208 North Route 68
West Liberty, Ohio 43357

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the West Liberty - Salem Local School District, Champaign County, (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 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 West Liberty - Salem Local School District, Champaign County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2000 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.

Jim Petro
Auditor of State

December 13, 2000

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	$1,304,001	$143,016	$105,515	$91,777
Cash and Cash Equivalents with Fiscal Agent				
Investments	300,000			
Receivables:				
Property Taxes - Current	1,681,700	37,425	226,200	47,600
Property Taxes - Delinquent	118,352		18,459	3,892
Income Taxes	422,572			
Intergovernmental	500			
Accrued Interest	12,837			
Prepaid Items	4,368			
Materials and Supplies Inventory	13,847			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	149,612			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Debt				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	$4,007,789	$180,441	$350,174	$143,269

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

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$33,779	$1,995	$37,777			$1,717,860
		698			698
					300,000
					1,992,925
					140,703
					422,572
11,451					11,951
117					12,954
					4,368
12,065					25,912
					149,612
11,565			11,637,141		11,648,706
				123,491	123,491
				1,863,517	1,863,517
$68,977	$1,995	$38,475	$11,637,141	$1,987,008	$18,415,269

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000

	Governmental Fund Types			
	General	**Special Revenue**	**Debt Service**	**Capital Projects**
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	$32,644	$13,960		$3,075
Accrued Wages and Benefits	599,545	4,574		
Compensated Absences Payable	7,107			
Deferred Revenue	1,686,874	37,425	226,683	47,368
Due to Students				
Deposits Held and Due to Others				
Pension Obligation Payable	93,836	3,250		
General Obligation Bonds Payable				
Total Liabilities	2,420,006	59,209	226,683	50,443
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved,Undesignated				
Fund Balance:				
Reserved for Property Tax Advances	113,178		17,976	4,124
Reserved for Debt Service			105,515	
Reserved for Inventory	13,847			
Reserved for Budget Stabilization	149,612			
Reserved for Prepayments	4,368			
Reserved for Encumbrances	104,164	35,546		37,885
Unreserved	1,202,614	85,686		50,817
Total Fund Equity and Other Credits	1,587,783	121,232	123,491	92,826
Total Liabilities, Fund Equity, and Other Cr	$4,007,789	$180,441	$350,174	$143,269

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

Proprietary Fund Type		Fiduciary Fund Types	Account Groups		
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	Totals (Memorandum Only)
$1,499					$51,178
17,592					621,711
7,240				525,049	539,396
7,135					2,005,485
		37,721			37,721
		698			698
11,584				61,959	170,629
				1,400,000	1,400,000
45,050		38,419		1,987,008	4,826,818
			11,637,141		11,637,141
23,927					23,927
					135,278
					105,515
					13,847
					149,612
					4,368
					177,595
	1,995	56			1,341,168
23,927	1,995	56	11,637,141		13,588,451
$68,977	$1,995	$38,475	$11,637,141	$1,987,008	$18,415,269

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Totals
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	(Memorandum Only)
Revenues:						
Property Taxes	$1,648,012	$36,658	$231,854	$46,835		$1,963,359
Income Taxes	1,344,519					1,344,519
Intergovernmental	3,996,876	144,343	24,368	35,208		4,200,795
Interest	133,627					133,627
Tuition and Fees	29,758					29,758
Charges for Services						0
Extracurricular Activities		144,386				144,386
Miscellaneous	22,340					22,340
Total Revenues	7,175,132	325,387	256,222	82,043		7,838,784
Expenditures:						
Current:						
Instruction:						
Regular	3,185,122	10,481		16,146		3,211,749
Special	627,962	49,507				677,469
Vocational	112,094					112,094
Other	183,402					183,402
Support Services:						
Pupils	276,243	46,155		16,000		338,398
Instructional Staff	427,612	3,164		7,888		438,664
Board of Education	43,633					43,633
Administration	574,292	5,028				579,320
Fiscal	209,280	744	4,695	994		215,713
Operation and Maintenance of Plant	625,504	18,146				643,650
Pupil Transportation	440,449			10,945		451,394
Central	88,791					88,791
Extracurricular Activities	156,687	151,711				308,398
Capital Outlay				28,713		28,713
Debt Service:						
Principal Retirement			166,669			166,669
Interest and Fiscal Charges			110,883			110,883
Total Expenditures	6,951,071	284,936	282,247	80,686		7,598,940
Excess of Revenues Over (Under) Expenditures	224,061	40,451	(26,025)	1,357		239,844
Other Financing Sources (Uses):						
Operating Transfers In	60,500	17,965	27,302	33,697		139,464
Operating Transfers Out	(127,768)	(12,696)				(140,464)
Total Other Financing Sources (Uses)	(67,268)	5,269	27,302	33,697		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	156,793	45,720	1,277	35,054		239,844
Fund Balances at Beginning of Year	1,426,601	75,512	122,214	57,772	56	1,682,155
Increase in Reserve for Inventory	4,389					4,389
Fund Balances at End of Year	$1,587,783	$121,232	$123,491	$92,826	$56	$1,926,388

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

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WEST LIBERTY - SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL(NON-GAAP BUDGETARY BASIS) ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	$3,061,000	$2,986,102	($74,898)	$39,100	$36,658	($2,442)
Intergovernmental	3,781,249	3,997,676	216,427	146,906	147,054	148
Interest	88,000	130,667	42,667			
Tuition and Fees	11,970	29,757	17,787			
Extracurricular Activities				135,158	142,839	7,681
Miscellaneous	14,400	21,457	7,057			
Total Revenues	6,956,619	7,165,659	209,040	321,164	326,551	5,387
Expenditures:						
Current:						
Instruction:						
Regular	3,292,847	3,219,742	73,105	11,881	8,936	2,945
Special	638,354	624,055	14,299	61,772	44,580	17,192
Vocational	123,045	109,999	13,046			
Other	184,776	183,402	1,374			
Support Services:						
Pupils	305,973	273,341	32,632	77,068	57,213	19,855
Instructional Staff	507,605	495,039	12,566	11,167	8,464	2,703
Board of Education	57,755	47,475	10,280			
Administration	601,227	572,326	28,901	6,020	5,020	1,000
Fiscal	215,341	207,183	8,158	1,000	744	256
Operation and Maintenance of Plant	689,573	630,774	58,799	72,195	61,885	10,310
Pupil Transportation	453,654	429,986	23,668			
Central	84,700	81,755	2,945			
Extracurricular Activities	176,637	156,857	19,780	154,786	145,741	9,045
Facilities Services						
Pass-through intergovernmental	200,000		200,000			
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	7,531,487	7,031,934	499,553	395,889	332,583	63,306
Excess of Revenues Over (Under) Expenditures	(574,868)	133,725	708,593	(74,725)	(6,032)	68,693
Other Financing Sources (Uses)						
Refund of Prior Year Expenditures		2,265	2,265			
Proceeds from Sale of Fixed Assets			0			
Advances In	10,000	3,000	(7,000)			
Advances Out	(10,000)	(3,000)	7,000			
Operating Transfers In	60,000	60,500	500	17,965	17,965	0
Operating Transfers Out	(131,000)	(127,768)	3,232	(12,696)	(12,696)	0
Total Other Financing Sources (Uses)	(71,000)	(65,003)	5,997	5,269	5,269	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(645,868)	68,722	714,590	(69,456)	(763)	68,693
Fund Balances at Beginning of Year	1,476,290	1,476,290		68,115	68,115	
Prior Year Encumbrances Appropriated	96,051	96,051		27,932	27,932	
Fund Balances at End of Year	$926,473	$1,641,063	$714,590	$26,591	$95,284	$68,693

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

	Debt Service Fund			Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	$264,000	$232,024	($31,976)	$48,200	$46,685	($1,515)
Intergovernmental	27,303	24,368	(2,935)	38,297	35,209	(3,088)
Interest						0
Tuition and Fees						
Extracurricular Activities						
Miscellaneous						
Total Revenues	291,303	256,392	(34,911)	86,497	81,894	(4,603)
Expenditures:						
Current:						
Instruction:						
Regular				23,823	16,146	7,677
Special						
Vocational						
Other						
Support Services:						
Pupils				22,300	22,228	72
Instructional Staff				8,702	7,887	815
Board of Education						
Administration						
Fiscal	7,000	4,695	2,305	2,000	994	1,006
Operation and Maintenance of Plant				32,100	26,817	5,283
Pupil Transportation						
Central						
Extracurricular Activities						
Facilities Services				78,701	44,499	34,202
Pas Through Intergovernmental						
Debt Service:						
Principal Retirement	166,669	166,669	0			
Interest and Fiscal Charges	110,883	110,883	0			
Total Expenditures	284,552	282,247	2,305	167,626	118,571	49,055
Excess of Revenues Over (Under) Expenditures	6,751	(25,855)	(32,606)	(81,129)	(36,677)	44,452
Other Financing Sources (Uses)						
Refund of Prior Year Expenditures						
Proceeds from Sale of Fixed Assets						
Advances In				3,000	3,000	0
Advances Out				(3,000)	(3,000)	0
Operating Transfers In	27,302	27,302	0	33,697	33,697	0
Operating Transfers Out						
Total Other Financing Sources (Uses)	27,302	27,302	0	33,697	33,697	0
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	34,053	1,447	(32,606)	(47,432)	(2,980)	44,452
Fund Balances at Beginning of Year	104,068	104,068	0	48,298	48,298	0
Prior Year Encumbrances Appropriated				5,500	5,500	0
Fund Balances at End of Year	$138,121	$105,515	($32,606)	$6,366	$50,818	$44,452

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Proprietary Fund Types		
	Enterprise Fund	**Internal Service**	**Total (Memorandum) Only)**
Operating Revenues:			
Tuition and Fees	$217		$217
Sales	230,658	$60,603	291,261
Total Operating Revenues	$230,875	$60,603	$291,478
Operating Expenses			
Salaries	99,195		99,195
Fringe Benefits	47,398		47,398
Purchased Services	3,286		3,286
Materials and Supplies	172,736	100	172,836
Depreciation	8,048		8,048
Other Operating Expenses	500	59,480	59,980
Total Operating Expenses	331,163	59,580	390,743
Operating Income(Loss)	(100,288)	1,023	(99,265)
Non-Operating Revenues and Expenses			
Federal Donated Commodities	19,602		19,602
Operating Grants	52,106		52,106
Interest	1,737		1,737
Total Non-Operating Revenues and Expenses	73,445		73,445
Net Income(Loss)	(26,843)	1,023	(25,820)
Retained Earnings at Beginning of Year	50,770	972	51,742
Retained Earnings at End of Year	$23,927	$1,995	$25,922

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

WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT
CHAMPAIGN COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	Enterprise	Internal Service	Total (Memorandum Only)
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Tuition and Fees	$217		$217
Cash Received from Sales/Service Charges	$230,658	$60,603	291,261
Cash Payments for Personal Services	(141,543)		(141,543)
Cash Payments for Contract Services	(3,286)		(3,286)
Cash Payments to Suppliers for Goods and Services	(153,052)	(100)	(153,152)
Cash Payments for Other Expenses	(500)	(59,480)	(59,980)
Net Cash Used for Operating Activities	(67,506)	1,023	(66,483)
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	53,453		53,453
Cash Flows from Investing Activities:			
Cash Received from Interest	1,790		1,790
Net Increase in Cash and Cash Equivalents	(12,263)	1,023	(11,240)
Cash and Cash Equivalents at Beginning of Year	46,042	972	47,014
Cash and Cash Equivalents at End of Year	$33,779	$1,995	$35,774
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:			
Operating Loss	($100,288)	$1,023	($99,265)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Donated Commodities Used During Year	19,602		19,602
Depreciation Expense	8,048		8,048
Changes in Assets and Liabilities:			
Increase in Supplies Inventory	(1,038)		(1,038)
Increase in Accounts Payable	763		763
Decrease in Accrued Wages and Benefits	(1,805)		(1,805)
Increase in Compensated Absences Payable	2,026		2,026
Increase in Pension Obligation Payable	4,829		4,829
Increase in Deferred Revenue	357		357
Net Cash Provided (Used) for Operating Activities	($67,506)	$1,023	($66,483)

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

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1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The West Liberty-Salem Local School District (the "District") is located in Champaign County and encompasses the Village of West Liberty and portions of surrounding townships. The District serves an area of approximately 58 square miles.

The District was established through the consolidation of existing land areas and school districts and is organized under Section 2 and 3, Article VI of the Constitution of the State of Ohio. Under such laws there is no authority for a school district to have a charter or adopt local laws. The legislative power of the school District is vested in the Board of Education, consisting of five members elected at large for staggered four year terms.

The District ranks as the 463rd largest by enrollment among the 612 districts in the State, and 3rd in Champaign County. It currently operates one building, which contains of the elementary school, the junior and senior high school. The District employs 51 non-certified and 77 certified employees to provide services to 1,160 students in grades K through 12 and various community groups.

A. Reporting Entity:

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District does not have any component units.

The District is associated with several jointly-governed organizations and group purchasing pools. These organizations include the West Central Ohio Special Education Regional Resource Center, the Ohio Hi-Point Career Center, the Western Ohio Computer Organization, the Southwestern Ohio Educational Purchasing Cooperative, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Champaign, Delaware, Marion, and Union Co. Schools Insurance Consortium. These organizations are presented in Notes 16 and 17 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types:

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

General Fund

The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

2. Proprietary Fund Types:

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

Enterprise Funds

Enterprise funds are used to account for operations that are (a) 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 the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Fund

The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, or to other governments, on a cost-reimbursement basis.

3. Fiduciary Fund Types:

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

4. Account Groups:

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

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Long-Term Obligations Account Group

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

B. Measurement Focus and 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 flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds 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. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants and entitlements (to the extent they are intended to finance the current fiscal year). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for property tax advances. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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. The fair value of donated commodities used during the year is reported on the operating statement as an expense, with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for a fiscal year is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the Board-adopted budget is filed with the Champaign County Budget Commission for tax rate determination.

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.

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 County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. All funds, other than agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.

6. 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.

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.

8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2000, in the following amounts:

Fund:	Increase
General Fund	$276,026
Special Revenue	168,971
Capital Projects	68,414
Enterprise	1,331
Total	$514,742

9. 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, function and/or object level.

   Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 14 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 11.

D. Cash and Investments

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

During fiscal year 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), and certificates of deposit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit and repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statute all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2000 totaled $133,627, which included $22,962 assigned from other funds of the District.

An analysis of the Treasurer's investment account at year end is provided in Note 3.

E. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicated they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

F. Prepaids

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

G. 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 year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than $500 and a useful life of less than one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed asset account group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

Equipment reflected in these 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. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis and a 10% assumed salvage value over the following estimated useful lives:

Asset	Life (years)
Buildings	25-50
Furniture, Fixtures and Minor Equipment	5-20
Vehicles	4-6

H. Intergovernmental Revenues

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

Entitlements

General Fund

State Foundation Program
State Property Tax Relief

Special Revenue Funds

State Property Tax Relief

Debt Service Funds

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Management Information Systems
Title VI-B
Professional Development
Title I
Title VI
Drug-Free School

Capital Projects Funds

SchoolNet

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reimbursable Grants

General Fund

Driver Education
School Bus Purchases

Proprietary Funds

National School Lunch Program
National School Milk Program

Grants and entitlements amounted to over 52% of the District's operating revenue during the 2000 fiscal year.

H. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

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

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, debt service, materials and supplies inventory, property tax advances, prepaids, and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not report transfers of resources as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.

3. Short-term interfund loans made pursuant to Board of Education resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.

4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.

5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.

6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 4.

L. Statement of Cash Flows

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its enterprise and internal service funds. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

M. Financial Reporting for Proprietary and Similar Fund Types

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The District accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund equity reserve has also been recorded. See Note 15 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

P. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Totals -(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. Interfund eliminations have not been made in the aggregation of this data.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and,

6. The State Treasurer's investment pool (STAR Ohio).

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

Cash with Fiscal Agent: At year end, $698 was on deposit in an account for unreimbursed medical claims.

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

Deposits: At year-end the carrying amount of the District's deposits was $1,886,678 and the bank balance was $2,049,175 (both amounts include $300,000 in non-negotiable certificates of deposit). Of the bank balance:

1. $252,016 was covered by federal deposit insurance.

2. $1,797,159 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District held to a successful claim by the FDIC.

Investments: The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities which exist in physical or book entry form.

	Fair Value
Not subject to categorization:	
STAR Ohio	$280,794
Total Investments	$280,794

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

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

3. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

	Equity in Pooled Cash and Cash Equivalents	Investments
GASB Statement No. 9	$1,868,170	$300,000
Investments of the Cash Management Pool:		
STAR Ohio	(280,794)	280,794
Certificates of Deposit	300,000	(300,000)
Cash with Fiscal Agent	(698)	
GASB Statement No. 3	$1,886,678	$280,794

4. INTERFUND TRANSACTIONS

The following is a summarized reconciliation of the District's operating transfers for fiscal year 2000:

Fund	Transfers In	Transfers (Out)
General Fund	$ 60,500	$(127,768)
Special Revenue Funds		
District Managed Student Activity	13,465	
Public School Support	4,500	
Classroom Facilities Maintenance		(12,696)
Debt Service Fund	27,302	
Capital Projects Funds		
Permanent Improvement	21,000	
Classroom Facilities	12,697	
	$139,464	$(140,464)

Transfers In and Transfers (Out) do not balance because the District made a $1,000 advance to the student managed activity funds (an agency fund), for which an operating statement is not presented in the general-purpose financial statements.

5. PROPERTY TAXES

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

5. PROPERTY TAXES (Continued)

Public utility property taxes are assessed on tangible personal property at 88% of true value (with certain exceptions) and on real property at 35% of true value. Tangible personal property taxes attach as a lien and are levied after April 1 of the current year. Tangible personal property assessments are 25% of true value. The first $10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

The assessed values upon which the fiscal year 2000 taxes were collected were as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	$67,604,140	85.20	$69,139,000	83.46
Public Utility Personal	7,590,510	9.57	9,399,950	11.34
Tangible Personal Property	4,152,256	5.23	4,304,660	5.20
	$79,346,906	100.00	$82,843,610	100.00

	1999 Second-Half Collections	2000 First-Half Collections
Tax rate per $1,000 of assessed valuation:		
Operations	$29.70	$36.10
Debt Service	3.35	3.00
Permanent Improvements	1.50	1.50

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

Tangible personal property taxes by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable at September 20.

The Champaign County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. Second-half real property tax payments collected by the County at June 30, 2000, are available to finance current fiscal year operations. The amounts available to be advanced can vary on the date the bills are sent. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount available as an advance at June 30, 2000, was $113,178 in the general fund, $17,976 in the debt service fund, and $4,124 in the capital projects fund.

6. SCHOOL DISTRICT INCOME TAX

In fiscal year 1986, voters of the District passed a .5% permanent income tax and a 1% renewable income tax that was first passed in 1992 is up for renewal every three years. The tax is collected by the State of Ohio and remitted to the District quarterly. Total income tax revenue received for fiscal 2000 credited to the general fund was $1,344,519. There was also a receivable of $422,572 at June 30, 2000.

7. RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees) and intergovernmental grants and entitlements (to the extent that such grants and entitlements relate to the current year). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of Federal grants.

A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes - Current & Delinquent Property, and Income	$2,222,624
Accrued Interest	12,837
Special Revenue Funds	
Taxes - Current	37,425
Debt Service Fund	
Taxes - Current & Delinquent	244,659
Capital Projects Funds	
Taxes - Current & Delinquent	51,492
Enterprise Funds	
Intergovernmental	11,451

8. FIXED ASSETS

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

	Balance July 1,1999	Increase	Decrease	Balance June 30, 2000
Land/ Improvements	$ 799,842			$ 799,842
Buildings	9,154,154			9,154,154
Furniture/Equipment	929,359	$229,544	$(12,668)	1,146,235
Vehicles	501,417	53,697	(18,204)	536,910
Total	$11,384,772	$283,241	$(30,872)	$11,637,141

8. FIXED ASSETS (Continued)

A summary of the proprietary fixed assets at June 30, 2000 follows:

Furniture and Equipment	$206,718
Less: Accumulated Depreciation	(195,153)
Net Fixed Assets	$ 11,565

9. LONG-TERM OBLIGATIONS

A. The current obligation bond outstanding, issued to provide funds for building additions and improvements, is a general obligation of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of payment is derived from a current 3.00 mill bonded debt tax levy.

The following is a description of the District's general obligation bonds outstanding as of June 30, 2000:

Purpose	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding July 1, 1999	Amount (Retired) in 2000	Bonds Outstanding June 30, 2000
School Facility Board	7.50%	8/01/87	12/01/09	$1,540,000	$(140,000)	$1,400,000

B. Additionally, the District has a six year Energy Conservation Bond issued in 1994. This bond was issued to provide funding for energy conservation measures. The bond was retired during fiscal year 2000. Payments are recorded as expenditures of the debt service fund. The following schedule describes the loan:

Purpose	Interest Rate	Issue Date	Maturity Date	Bonds Outstanding July 1, 1999	Amount (Retired) in 2000	Bonds Outstanding June 30, 2000
Energy Conservation	4.75%	4/01/94	12/01/99	$26,669	$(26,669)	$0

C. Principal and interest requirements to retire the general obligation bonds outstanding at June 30, 2000, are as follows:

Year Ending	Principal On General Obligation Bonds	Interest On General Obligation Bonds	Total
2001	$ 140,000	$ 99,750	$ 239,750
2002	140,000	89,250	229,250
2003	140,000	78,750	218,750
2004	140,000	68,250	208,250
2005	140,000	57,750	197,750
2006 - 2010	700,000	131,250	831,250
Total Principal and Interest	$1,400,000	$525,000	$1,925,000

9. LONG-TERM OBLIGATIONS (Continued)

D. *1986 Classroom Facilities Loan* - In fiscal year 1986, the District received $6,500,000 for construction and improvements to its facilities under the State's "Classroom Facilities Program." Under this program, the District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs. Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three year period. The District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the $6,500,000 to the State because the District's adjusted valuation per pupil was less than the State-wide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repayment to the State for facilities maintenance. As part of the process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

E. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

	Balance July 1, 1999	Increase	Decrease	Balance June 30, 2000
Compensated Absences	$ 471,238	$ 53,811		$ 525,049
Pension Obligation Payable	47,753	61,959	$ (47,753)	61,959
General obligation Bond Payable	1,540,000		(140,000)	1,400,000
H.B. 264 - Energy Conservation Bond	26,669		(26,669)	0
Total	$2,085,660	$115,770	$(214,422)	$1,987,008

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2000 are a voted debt margin of $6,179,416 (including available funds of $123,491) and an unvoted debt margin of $82,844.

10. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees and natural disasters. During fiscal year 2000, the District purchased from Nationwide Insurance Company (through the Ohio School Boards Association) general liability insurance, which carried a $1 million per occurrence/$5 million annual aggregate limitation. Fleet and property/casualty insurance are purchased through commercial carriers and traditionally funded, as are all benefit plans offered to employees.

Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years. There has been no significant reduction in amounts of insurance coverage from fiscal year 1999.

The District is a member of the OSBA Workers' Compensation Group Rating Program (GRP), established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

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

The District is also a member of the Champaign, Delaware, Marion, and Union Co. Schools Insurance Consortium (CDMU). CDMU sponsors self-insured medical plans for ten (10) school districts, educational service centers and Boards of Education primarily within Champaign, Delaware, Marion, and Union Counties. These plans are for active employees and their covered dependents. Amongst the ten (10) districts and service centers, there were nineteen (19) plans/plan options offered to active employees and their dependents during the period under review. CDMU has contracted with CoreSource for all administrative, claims processing, claims payment, and customer service at CoreSource's Westerville, Ohio facility.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 13. As such, no funding provisions are required by the District.

11. SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

11. SEGMENT INFORMATION - ENTERPRISE FUNDS (Continued)

	Food Service	Uniform School Supplies	Total
Operating revenue	$230,658	$ 217	$230,875
Depreciation Expense	8,048		8,048
Operating loss	(99,787)	(501)	(100,288)
Grants	52,106		52,106
Donated Commodities	19,602		19,602
Net loss	(26,342)	(501)	(26,843)
Net working capital	43	12,319	12,362
Total assets	55,204	13,773	68,977
Total equity	11,608	12,319	23,927
Encumbrances at 6/30/00	4,057		4,057

12. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

12. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for fiscal year 2000; 5.5 percent was the portion to fund pension obligations for fiscal year 2000. For fiscal year 1999, the portion used to fund pension obligations was 7.7 percent. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were $50,221 and $62,779 and $71,581 respectively; 46 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $73,014, which represents both the defined benefit and post employment share of 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

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999 and 1998 were $189,555 and $178,019, and $287, 723 respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. $74,940, which represents both the defined benefit and post employment share of the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POSTEMPLOYMENT BENEFITS

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

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 are required to pay a portion of 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. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled $252,740 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2,783 billion at June 30, 1999 (the latest information available). As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were $249,929,000.

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 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.

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 $189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of $188 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the School District, the amount to fund health care benefits, including the surcharge, equaled $100,290 during the 2000 fiscal year.

14. BUDGETARY BASIS OF ACCOUNTING

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

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

14. BUDGETARY BASIS OF ACCOUNTING (Continued)

(a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
Budget Basis	$ 68,722	$ (763)	$1,447	$(2,980)
Net Adjustment for Revenue Accruals	9,473	(1,164)	(170)	149
Net Adjustment for Expenditure Accruals	(32,812)		(85)	(3,075)
Net adjustment for other Financing Sources (Uses)	(1,265)			
Encumbrances	112,675	47,732		40,960
GAAP Basis	$156,793	$45,720	$1,277	$35,054

15. STATUTORY RESERVES

The 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 District is also required to set aside money for budget stabilization.

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

15. STATUTORY RESERVES (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization	Totals
Set-aside Cash Balance as of July 1, 1999			$89,112	
Current Year Set-aside Requirement	$164,628	$164,628	60,500	
Current Year Offsets		(111,679)		
Qualifying Disbursements	(194,223)	(158,040)		
Total	($29,595)	($105,091)	$149,612	
Cash Balance Carried Forward to FY 2001			$149,612	
Amount restricted for Budget Stabilization				$149,612
Total Restricted Assets				$149,612

The District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero; however the District has chosen not to use these extra amounts to reduce the set-aside requirements of future years. Negative amounts are therefore not presented as being carried forward to the next fiscal year.

16. JOINTLY-GOVERNED ORGANIZATIONS

West Central Ohio Education Regional Resource Center (SERRC) - The West Central Ohio Special Education Regional Resource Center (SERRC) is a special education service center which selects its own board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents. The SERRC is governed by a board of 52 members made up of the 50 superintendents of the participating districts, one non-public school representative, and a representative from Wright State University. The terms of the latter two representatives are rotated every year. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Krista Hart, Treasurer, at the Hardin County Educational Service Center, 1211 West Lima Street, Kenton, Ohio 43326-2385.

Ohio Hi-Point Career Center (the "Career Center") - The Ohio Hi-Point Career Center is a distinct political subdivision of the State of Ohio, operating under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Career Center possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Career Center, Eric Adelsberger, who serves as Treasurer, at 2280 State Route 540, Bellefontaine, Ohio 43311. The District did not contribute any money to the Ohio Hi-Point Career Center during fiscal year 2000.

16. JOINTLY-GOVERNED ORGANIZATIONS (Continued)

Western Ohio Computer Organization (WOCO) - The Western Ohio Computer Organization (WOCO) is a joint venture among 29 area school districts. The joint venture was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions of member districts. Each member district supports WOCO based upon a per pupil charge, dependent upon the software package utilized. The governing board of WOCO consists of two representatives from each county elected by majority vote of all charter member school districts within each county, plus one representative from the fiscal agent. Financial information can be obtained from Sonny Ivey, who serves as Director, at 129 E. Court Street, Sidney, Ohio 45365.

17. GROUP PURCHASING POOLS

Southwestern Ohio Educational Purchasing Cooperative (SOEPC) - SOEPC is a purchasing cooperative made up of nearly one hundred school districts in Champaign and surrounding counties. The purpose of the cooperative is to obtain lower prices for supplies and materials commonly used by the member districts. The members are obligated to pay all fees, charges, and assessments as established by SOEPC. Each member district has one voting representative.Title to any and all equipment and supplies purchased by SOEPC is held in trust for the member districts by the fiscal agent, the Champaign County Educational Service Center. Payments to SOEPC are made from the District's General fund.

Ohio School Boards Association Worker's Compensation Group Rating Plan - The District is a member of the OSBA Workers' Compensation Group Rating Program (GRP), established in April 1991. The program was created by the Ohio School Boards Association as a result of the Workers' Compensation group rating plan as defined in 4123.29, Ohio Revised Code. The group rating plan will allow school districts to group together to potentially achieve a lower premium rate than they may otherwise be able to acquire as individual employers.

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18. CONTINGENT LIABILITIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

As of the balance sheet date, the District is involved in no litigation as either plaintiff or defendant.

19. STATE SCHOOL FUNDING DECISION/SUBSEQUENT EVENT

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 $3,571,276 of school foundation support.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had received a total of $6,500,000 million under this program.

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 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 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.

19. STATE SCHOOL FUNDING DECISION/SUBSEQUENT EVENT (Continued)

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

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

West Liberty - Salem Local School District
Champaign County
7208 North Route 68
West Liberty, Ohio 43357

To the Board of Education:

We have audited the financial statements of the West Liberty - Salem Local School District, Champaign County, (the "District"), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 13, 2000. 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*.

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 December 13, 2000.

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

Jim Petro
Auditor of State

December 13, 2000

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WEST LIBERTY-SALEM LOCAL SCHOOL DISTRICT

CHAMPAIGN 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
JANUARY 09, 2001