



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Circleville City School District  
Pickaway County  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

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

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Circleville City School District, Pickaway County, Ohio as of June 30, 2001, and the results of its 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 January 23, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

**JIM PETRO**  
Auditor of State

January 23, 2002

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY  
  
COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>ASSETS AND OTHER DEBITS</b>										
<b>ASSETS:</b>										
Equity in Pooled Cash and Cash Equivalents	1,783,387	303,040	2,369,089	18,657	27,874	248,807	141,257	0	0	4,892,111
Cash With Fiscal Agent	0	0	0	0	0	8,916	0	0	0	8,916
Receivables (Net of Allowances Of Uncollectibles):										
Taxes - Current and Delinquent	7,755,923	0	47,525	722,384	0	0	0	0	0	8,525,832
Accounts	610	6,037	0	0	0	0	0	0	0	6,647
Accrued Interest	49,614	0	0	0	0	0	0	0	0	49,614
Due From Other Governments	12,326	165,395	0	0	0	0	0	0	0	177,721
Interfund Loans Receivable	86,624	0	0	0	0	0	0	0	0	86,624
Prepayments	30,304	0	0	0	0	49,190	0	0	0	79,494
Materials and Supplies Inventory	5,500	0	0	0	5,717	0	0	0	0	11,217
Restricted Assets:										
Equity in Pooled Cash and Cash Equivalents	82,071	0	0	0	0	0	0	0	0	82,071
Fixed Assets (Net of Accumulated Depreciation Where Applicable)	0	0	0	0	110,040	0	0	12,725,862	0	12,835,902
<b>OTHER DEBITS:</b>										
Amount Available in Debt Service Fund	0	0	0	0	0	0	0	0	2,369,971	2,369,971
Amount To Be Provided For Retirement of general long-term obligations . . . . .	0	0	0	0	0	0	0	0	1,483,050	1,483,050
<b>Total assets and other debits . . . . .</b>	<b>9,806,359</b>	<b>474,472</b>	<b>2,416,614</b>	<b>741,041</b>	<b>143,631</b>	<b>306,913</b>	<b>141,257</b>	<b>12,725,862</b>	<b>3,853,021</b>	<b>30,609,170</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO

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

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>										
<b>LIABILITIES:</b>										
Accounts payable . . . . .	46,527	30,300	0	34,019	0	0	0	0	0	110,846
Accrued wages and benefits. . . . .	1,326,481	89,173	0	0	36,814	0	0	0	0	1,452,468
Compensated absences payable. . . . .	4,095	0	0	0	9,872	0	0	0	1,284,444	1,298,411
Pension obligation payable . . . . .	249,984	3,852	0	0	26,386	0	0	0	101,577	381,799
Due to other governments. . . . .	98,879	4,597	0	0	1,995	353	0	0	0	105,824
Interfund loans payable . . . . .	0	2,267	0	84,357	0	0	0	0	0	86,624
Deferred revenue . . . . .	7,629,416	78,895	46,643	708,975	3,403	0	0	0	0	8,467,332
Claims payable . . . . .	0	0	0	0	0	376,711	0	0	0	376,711
Due to students . . . . .	0	0	0	0	0	0	91,086	0	0	91,086
General obligation bonds payable. . . . .	0	0	0	0	0	0	0	0	1,950,000	1,950,000
School bus bonds payable. . . . .	0	0	0	0	0	0	0	0	42,000	42,000
General obligation notes payable . . . . .	0	0	0	0	0	0	0	0	475,000	475,000
<b>Total liabilities . . . . .</b>	<b>9,355,382</b>	<b>209,084</b>	<b>46,643</b>	<b>827,351</b>	<b>78,470</b>	<b>377,064</b>	<b>91,086</b>	<b>0</b>	<b>3,853,021</b>	<b>14,838,101</b>
<b>EQUITY AND OTHER CREDITS:</b>										
Investment in general fixed assets. . . . .	0	0	0	0	0	0	0	12,725,862	0	12,725,862
Retained earnings: unreserved. . . . .	0	0	0	0	65,161	(70,151)	0	0	0	(4,990)
Reserved for encumbrances . . . . .	63,794	17,268	0	1,125	0	0	0	0	0	82,187
Reserved for prepayments . . . . .	30,304	0	0	0	0	0	0	0	0	30,304
inventory . . . . .	5,500	0	0	0	0	0	0	0	0	5,500
Reserved for debt service. . . . .	0	0	2,369,089	0	0	0	0	0	0	2,369,089
Reserved for tax revenue unavailable . . . . .	0	0	0	0	0	0	0	0	0	0
for appropriation . . . . .	143,967	0	882	13,409	0	0	0	0	0	158,258
Budget Stabilization Reserve . . . . .	82,071	0	0	0	0	0	0	0	0	82,071
Designated . . . . .	67,929	0	0	0	0	0	0	0	0	67,929
Unreserved-undesignated (deficit) . . . . .	57,412	248,120	0	(100,844)	0	0	50,171	0	0	254,859
<b>Total equity and other credits. . . . .</b>	<b>450,977</b>	<b>265,388</b>	<b>2,369,971</b>	<b>(86,310)</b>	<b>65,161</b>	<b>(70,151)</b>	<b>50,171</b>	<b>12,725,862</b>	<b>0</b>	<b>15,771,069</b>
<b>Total liabilities, equity and other credits . . . . .</b>	<b>9,806,359</b>	<b>474,472</b>	<b>2,416,614</b>	<b>741,041</b>	<b>143,631</b>	<b>306,913</b>	<b>141,257</b>	<b>12,725,862</b>	<b>3,853,021</b>	<b>30,609,170</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT



CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO

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

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes . . . . .	6,332,881	0	443,570	290,234	0	7,066,685
Tuition . . . . .	810	0	0	0	0	810
Earnings on investments . . . . .	312,804	820	0	0	157	313,781
Extracurricular activities . . . . .	0	154,235	0	0	0	154,235
Classroom materials and fees . . . . .	57,523	0	0	0	0	57,523
Other local revenues . . . . .	59,250	23,761	0	0	48,251	131,262
Intergovernmental - State . . . . .	6,688,829	312,397	38,895	175,494	0	7,215,615
Intergovernmental - Federal . . . . .	58,229	816,721	0	0	0	874,950
<b>Total revenues . . . . .</b>	<b>13,510,326</b>	<b>1,307,934</b>	<b>482,465</b>	<b>465,728</b>	<b>48,408</b>	<b>15,814,861</b>
Expenditures:						
Current:						
Instruction:						
Regular . . . . .	7,380,061	259,510	0	87,852	0	7,727,423
Special . . . . .	1,436,686	439,246	0	0	0	1,875,932
Vocational . . . . .	0	3,500	0	0	0	3,500
Other . . . . .	62,423	0	0	0	0	62,423
Support services:						
Pupil . . . . .	681,453	74,011	0	0	25	755,489
Instructional staff . . . . .	774,023	126,143	0	36,169	0	936,335
Board of Education . . . . .	39,552	0	0	0	0	39,552
Administration . . . . .	1,437,660	84,122	0	0	0	1,521,782
Fiscal . . . . .	427,800	445	11,336	6,034	0	445,615
Business . . . . .	7,375	0	0	0	0	7,375
Operations and maintenance . . . . .	1,089,985	202	0	422,360	0	1,512,547
Pupil transportation . . . . .	413,952	0	0	0	0	413,952
Central . . . . .	0	13,137	0	0	0	13,137
Community services . . . . .	492	1,202	0	0	4,088	5,782
Extracurricular activities . . . . .	219,677	90,809	0	0	0	310,486
Intergovernmental pass-through . . . . .	0	32,825	0	0	0	32,825
Debt service:						
Principal retirement . . . . .	20,476	0	433,000	0	0	453,476
Interest and fiscal charges . . . . .	1,833	0	189,780	0	0	191,613
<b>Total expenditures . . . . .</b>	<b>13,993,448</b>	<b>1,125,152</b>	<b>634,116</b>	<b>552,415</b>	<b>4,113</b>	<b>16,309,244</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	(483,122)	182,782	(151,651)	(86,687)	44,295	(494,383)
Other financing sources (uses):						
Operating transfers in . . . . .	0	6,450	0	0	0	6,450
Operating transfers out . . . . .	(76,972)	0	0	0	0	(76,972)
<b>Total other financing sources (uses) . . . . .</b>	<b>(76,972)</b>	<b>6,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(70,522)</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses . . . . .	(560,094)	189,232	(151,651)	(86,687)	44,295	(564,905)
Fund balances, July 1 . . . . .	1,008,947	76,156	2,521,622	377	5,876	3,612,978
Increase in reserve for inventory . . . . .	2,124	0	0	0	0	2,124
<b>Fund balances (deficit), June 30 . . . . .</b>	<b>450,977</b>	<b>265,388</b>	<b>2,369,971</b>	<b>(86,310)</b>	<b>50,171</b>	<b>3,050,197</b>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY

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

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>						
<b>From Local Sources:</b>						
Taxes	7,018,845	7,526,170	507,325	0	0	0
Tuition	755	810	55	0	0	0
Earnings On Investments	281,821	302,191	20,370	894	892	(2)
Extracurricular	0	0	0	184,245	153,885	(30,360)
Classroom Materials and Fees	53,638	57,515	3,877	0	0	0
Other Local Revenues	54,695	58,648	3,953	55,731	18,570	(37,161)
Intergovernmental - State	6,250,527	6,702,317	451,790	365,554	312,397	(53,157)
Intergovernmental - Federal	42,809	45,903	3,094	1,154,299	730,221	(424,078)
Total Revenues	13,703,090	14,693,554	990,464	1,760,723	1,215,965	(544,758)
<b>Expenditures:</b>						
<b>Current:</b>						
<b>Instruction:</b>						
Regular	7,423,580	7,430,053	(6,473)	357,572	279,487	78,085
Special	1,417,123	1,418,359	(1,236)	623,587	432,961	190,626
Vocational	0	0	0	5,667	3,500	2,167
Other	62,368	62,422	(54)	0	0	0
<b>Support Services:</b>						
Pupil	686,544	687,143	(599)	19,658	18,018	1,640
Instructional Staff	757,973	758,634	(661)	278,051	192,049	86,002
Board of Education	44,372	44,411	(39)	0	0	0
Administration	1,468,759	1,470,039	(1,280)	117,795	87,144	30,651
Fiscal	432,251	432,628	(377)	436	425	11
Business	8,368	8,375	(7)	0	0	0
Operations and Maintenance	1,173,577	1,174,600	(1,023)	206	200	6
Pupil Transportation	416,511	416,874	(363)	0	0	0
Central	0	0	0	14,121	13,137	984
Community Services	492	492	0	21,787	15,595	6,192
Extracurricular Activities	221,607	221,800	(193)	109,404	105,141	4,263
<b>Debt Service:</b>						
Principal Retirement	92,919	93,000	(81)	0	0	0
Interest and Fiscal Charges	15,737	15,751	(14)	0	0	0
Total Expenditures	14,222,181	14,234,581	(12,400)	1,548,284	1,147,657	400,627
Excess (Deficiency) of Revenues Over (Under) Expenditures	(519,091)	458,973	978,064	212,439	68,308	(144,131)
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year's Expenditures	77,642	83,254	5,612	0	0	0
Refund of Prior Year's (Receipts)	(82,001)	(82,072)	(71)	(226)	(219)	7
Operating Transfers In	90,783	97,345	6,562	0	6,450	6,450
Operating Transfers (Out)	(203,427)	(203,604)	(177)	0	0	0
Advances In	0	298,137	298,137	0	2,267	2,267
Advances (Out)	0	(170,975)	(170,975)	0	(143,263)	(143,263)
Total Other Financing Sources (Uses)	(117,003)	22,085	139,088	(226)	(134,765)	(134,539)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(636,094)	481,058	1,117,152	212,213	(66,457)	(278,670)
Fund Balances, July 1, 2001	1,098,145	1,098,145	0	291,585	291,585	0
Prior Year Encumbrances Appropriated	154,992	154,992	0	30,607	30,607	0
Fund Balances, June 30, 2001	617,043	1,734,195	1,117,152	534,405	255,735	(278,670)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Debt Service			Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
295,649	464,519	168,870	252,713	276,825	24,112	7,567,207	8,267,514	700,307
0	0	0	0	0	0	755	810	55
0	0	0	0	0	0	282,715	303,083	20,368
0	0	0	0	0	0	184,245	153,885	(30,360)
0	0	0	0	0	0	53,638	57,515	3,877
0	0	0	0	0	0	110,426	77,218	(33,208)
24,755	38,895	14,140	157,603	175,494	17,891	6,798,439	7,229,103	430,664
0	0	0	0	0	0	1,197,108	776,124	(420,984)
<u>320,404</u>	<u>503,414</u>	<u>183,010</u>	<u>410,316</u>	<u>452,319</u>	<u>42,003</u>	<u>16,194,533</u>	<u>16,865,252</u>	<u>670,719</u>
0	0	0	65,358	87,852	(22,494)	7,846,510	7,797,392	49,118
0	0	0	0	0	0	2,040,710	1,851,320	189,390
0	0	0	0	0	0	5,667	3,500	2,167
0	0	0	0	0	0	62,368	62,422	(54)
0	0	0	0	0	0	706,202	705,161	1,041
0	0	0	26,726	36,170	(9,444)	1,062,750	986,853	75,897
0	0	0	0	0	0	44,372	44,411	(39)
0	0	0	0	0	0	1,586,554	1,557,183	29,371
16,019	11,337	4,682	4,480	6,034	(1,554)	453,186	450,424	2,762
0	0	0	0	0	0	8,368	8,375	(7)
0	0	0	314,130	423,135	(109,005)	1,487,913	1,597,935	(110,022)
0	0	0	0	0	0	416,511	416,874	(363)
0	0	0	0	0	0	14,121	13,137	984
0	0	0	0	0	0	22,279	16,087	6,192
0	0	0	0	0	0	331,011	326,941	4,070
510,525	340,000	170,525	0	0	0	603,444	433,000	170,444
215,808	174,029	41,779	0	0	0	231,545	189,780	41,765
<u>742,352</u>	<u>525,366</u>	<u>216,986</u>	<u>410,694</u>	<u>553,191</u>	<u>(142,497)</u>	<u>16,923,511</u>	<u>16,460,795</u>	<u>462,716</u>
<u>(421,948)</u>	<u>(21,952)</u>	<u>399,996</u>	<u>(378)</u>	<u>(100,872)</u>	<u>(100,494)</u>	<u>(728,978)</u>	<u>404,457</u>	<u>1,133,435</u>
0	0	0	0	0	0	77,642	83,254	5,612
0	0	0	0	0	0	(82,227)	(82,291)	(64)
80,596	126,632	46,036	0	0	0	171,379	230,427	59,048
0	0	0	0	0	0	(203,427)	(203,604)	(177)
0	0	0	0	84,357	84,357	0	384,761	384,761
0	0	0	0	0	0	0	(314,238)	(314,238)
<u>80,596</u>	<u>126,632</u>	<u>46,036</u>	<u>0</u>	<u>84,357</u>	<u>84,357</u>	<u>(36,633)</u>	<u>98,309</u>	<u>134,942</u>
(341,352)	104,680	446,032	(378)	(16,515)	(16,137)	(765,611)	502,766	1,268,377
2,264,409	2,264,409	0	378	378	0	3,654,517	3,654,517	0
0	0	0	0	0	0	185,599	185,599	0
<u>1,923,057</u>	<u>2,369,089</u>	<u>446,032</u>	<u>0</u>	<u>(16,137)</u>	<u>(16,137)</u>	<u>3,074,505</u>	<u>4,342,882</u>	<u>1,268,377</u>

CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO

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

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Sales/charges for services . . . . .	\$414,014	\$1,152,862	\$1,566,876
Total operating revenues . . . . .	414,014	1,152,862	1,566,876
Operating expenses:			
Personal services . . . . .	343,155	0	343,155
Purchased services . . . . .	7,422	1,246,528	1,253,950
Materials and supplies . . . . .	323,068	0	323,068
Depreciation . . . . .	2,818	0	2,818
Total operating expenses . . . . .	676,463	1,246,528	1,922,991
Operating income (loss). . . . .	(262,449)	(93,666)	(356,115)
Nonoperating revenues:			
Operating grants . . . . .	213,462	0	213,462
Federal donated commodities. . . . .	48,482	0	48,482
Total nonoperating revenues . . . . .	261,944	0	261,944
Net income (loss) before operating transfers . . . . .	(505)	(93,666)	(94,171)
Operating transfers in . . . . .	70,522	0	70,522
Net income. . . . .	70,017	(93,666)	(23,649)
Retained earnings (accumulated deficit), July 1 . . . . .	(4,856)	23,515	18,659
Retained earnings, June 30 . . . . .	\$65,161	(\$70,151)	(\$4,990)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

	<u>Proprietary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
Cash flows from operating activities:			
Cash received from sales/service charges . . . . .	414,014	1,152,862	1,566,876
Cash payments for personal services. . . . .	(346,646)	0	(346,646)
Cash payments for purchased services. . . . .	(7,422)	(1,140,042)	(1,147,464)
Cash payments for materials and supplies . . . . .	<u>(273,336)</u>	<u>0</u>	<u>(273,336)</u>
Net cash provided by (used in) operating activities . . . . .	<u>(213,390)</u>	<u>12,820</u>	<u>(200,570)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants. . . . .	241,214	0	241,214
Cash received from operating transfer in . . . . .	70,522	0	70,522
Cash payments used in repayment of interfund loans. . . . .	<u>(70,521)</u>	<u>0</u>	<u>(70,521)</u>
Net cash provided by noncapital financing activities . . . . .	<u>241,215</u>	<u>0</u>	<u>241,215</u>
Net cash provided by investing activities. . . . .	<u>0</u>	<u>0</u>	<u>0</u>
Net increase in cash and cash equivalents . . . . .	27,825	12,820	40,645
Cash and cash equivalents at beginning of year . . . . .	49	244,903	244,952
Cash and cash equivalents at end of year . . . . .	<u>27,874</u>	<u>257,723</u>	<u>285,597</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss). . . . .	(262,449)	(93,666)	(356,115)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation. . . . .	2,818	0	2,818
Federal donated commodities used . . . . .	48,482	0	48,482
Changes in assets and liabilities:			
Decrease in materials and supplies inventory . . . . .	2,092	0	2,092
Increase in prepayments . . . . .	0	(26,507)	(26,507)
Decrease in accounts payable . . . . .	(245)	(156)	(401)
Increase in accrued wages and benefits . . . . .	1,310	0	1,310
Decrease in compensated absences payable . . . . .	(11,576)	0	(11,576)
Increase in due to other governments . . . . .	1,995	353	2,348
Decrease in due to other funds. . . . .	(165)	0	(165)
Increase in claims payable . . . . .	0	132,796	132,796
Increase in pension obligation payable . . . . .	4,945	0	4,945
Decrease in deferred revenue . . . . .	<u>(597)</u>	<u>0</u>	<u>(597)</u>
Net cash provided by (used in) operating activities . . . . .	<u>(213,390)</u>	<u>12,820</u>	<u>(200,570)</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY, OHIO**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 195<sup>th</sup> largest by enrollment among the 682 public and community school districts in the State. The District employs 86 non-certified and 174 certified employees to provide services to approximately 2,438 students and community groups. The District provides regular and special instruction. The District also provides support services for the pupils, instructional staff, general and school administration, business and fiscal services, facilities acquisitions and construction services, operation and maintenance of plant, student transportation, food services, extracurricular activities and non-programmed services. The District co-operates with the Pickaway County Educational Service Center, a separate entity, for curricular services.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only criterion for including a potential component unit within the reporting entity, is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity**

**Jointly Governed Organization**

**Metropolitan Education Council (MEC)** - Is a not for profit educational council whose primary purpose and objective is to contribute to the educational services available to school districts in Franklin County and surrounding areas by cooperative action membership. The governing board consists of a representative from each of the Franklin County districts. Districts outside of Franklin County are associate members and each county selects a single district to represent them on the governing board. MEC is its own fiscal agent.

**Public Entity Risk Pool**

**Ohio School Boards Association Workers' Compensation Group Rating Plan** - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the Plan) was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the program.

**B. Fund Accounting**

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

**Governmental Funds**

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



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

**Governmental Funds (Continued)**

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

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

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

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

**Proprietary Funds**

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

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

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are presented on a budget basis, with note disclosure identifying items, which would be subject to accrual for other fund types (See Note 3.C.).

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Fund Accounting (Continued)**

**Account Groups**

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

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

**General Long-Term Obligations Account Group** - This group of accounts is established to account for all long-term obligations of the District, 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 (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. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. 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 60 days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants, and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus/Basis of Accounting (Continued)**

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 incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

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

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

**D. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable is as follows.

1. Prior to January 15, 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 Pickaway 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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets (Continued)**

**3. (Continued)**

amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Although the legal level of budgetary control was established at the fund type level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. Individual building and/or departments may transfer funds within their budgets upon review and approval of the Treasurer, if the line item transfer does not exceed \$10,000. All supplemental appropriations were legally enacted. The budget figures, which appear in the statements of budgetary comparisons represent the permanent appropriation amounts plus all supplemental appropriations legally enacted during the year.
8. At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

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, not recognized as accounts payable, appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. The District had no encumbrances outstanding for the enterprise fund at fiscal year-end.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Investments**

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

During fiscal year 2001, investments were limited to bankers acceptances, a repurchase agreement, certificates of deposit, and the State Treasury Asset Reserve (STAR Ohio). Investments are reported at fair value, which is based on quoted market prices, with the following exceptions: nonparticipating investment contracts such as repurchase agreements and certificates of deposit are reported at cost.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenues credited to the general fund during fiscal year 2001, amounted to \$312,804, which includes \$206,719 assigned from other District funds.

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

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

**F. Materials and Supplies Inventory**

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories are determined by physical count. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of the governmental fund type inventories are recorded as expenditures when purchased (purchase method) rather than when consumed. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates they are unavailable for appropriation. Inventories of proprietary funds consist of donated food, purchased food, and general supplies, and are expensed when used.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 value as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group. Upon approval by the Board of Education, fixed assets that are no longer in service are retired. A retired general fixed asset is deleted from the property, plant, and equipment balance in the general fixed asset account group at its original cost.

**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. All fixed assets, regardless of cost, are capitalized in the proprietary funds. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend asset lives, are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of 8 to 20 years. Upon approval by the Board of Education, fixed assets that are no longer in service are retired. A retired fixed asset that was utilized in a proprietary fund is deleted from the property, plant, and equipment balance in its respective fund at its net depreciated value. Gains or losses on disposal would only be recognized on fixed assets utilized in proprietary funds.

**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, available and eligibility requirements are met. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred and the amount is measurable. Other than commodities, grants and entitlements for proprietary fund, operations are recognized as non-operating revenue in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Intergovernmental Revenues (Continued)

Entitlements

General Fund

State Foundation Program  
School Bus Funding Program

Special Revenue Funds

Educational Management Information System  
Textbook Funding Grant  
Data Communications Grant  
E Rate Funding

Capital Projects Funds

SchoolNet  
SchoolNet Plus

Non-Reimbursable Grants

Special Revenue Funds

Title VI-B  
Pre-School Handicap Grant  
Local Professional Development  
Auxiliary Services  
Eisenhower Grant  
Title I  
Title VI  
EC-Speed Mini-Grant  
Entry Year Grant  
Teen Pregnancy Grant  
SchoolNet Professional Development  
Ohio Reads  
Summer Intervention  
Safe School Helpline  
Drug Free Coordinator  
Title VI-R Class Size Reduction  
Continuous Improvement

Capital Projects Fund

Permanent Improvement

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Intergovernmental Revenues (Continued)**

Reimbursable Grants

General Fund

Driver Education Reimbursement  
Tutor Reimbursement  
CAFS

Enterprise Funds

National School Lunch Program  
Federal Donated Commodities

Grants and entitlements amounted to approximately 47% of the District's operating revenue during the 2001 fiscal year.

**I. Interfund Transactions**

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

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

An analysis of interfund transactions is presented in Note 5.

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments 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.



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Compensated Absences (Continued)**

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

The total liability for vacation and severance 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 liability 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 obligation account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**K. Prepayments**

Prepayments for governmental funds represent cash disbursements, which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At year-end, since 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.

**L. Long-Term Obligations**

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. Fund Balance Reserves**

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, materials and supplies inventory, debt service, tax revenue unavailable for appropriation, budget stabilization, and Bureau of Workers Compensation (BWC) refunds. The reserve for tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

**N. Parochial Schools**

New Hope Christian School and A Child's Place School operate within the District's boundaries. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial schools. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting

**O. Restricted Assets**

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

**P. Estimates**

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

**Q. Memorandum Only - Total Columns**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**3. ACCOUNTABILITY AND COMPLIANCE (Continued)**

**B. Deficit Fund Balances**

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

	<u>Deficit Fund Balances</u>
<u>Special Revenue Funds</u>	
Disadvantaged Pupil Impact Aid	\$ 26,367
Title I	20,803
Miscellaneous Federal Grants	404
 <u>Capital Projects Fund</u>	
Permanent Improvement	104,965

The deficit fund balances in the Disadvantaged Pupil Impact Aid and Title I special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Miscellaneous Federal Grants special revenue fund is caused by the reporting of accounts payable as a liability in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balance in the Permanent Improvement capital projects fund is caused by the reporting of accounts payable and an interfund loan received as a liability in accordance with GAAP.

**C. Agency Funds**

The following are accruals for the agency funds, which, if in another fund type, would be recognized on the combined balance sheet:

<u>LIABILITIES</u>	
Accounts payable	\$514

**D. Legal Compliance**

The following account had expenditures plus encumbrances in excess of appropriations:

Fund	Appropriations	Expenditures Plus Encumbrances	Excess
Capital Projects	\$410,694	\$553,188	\$142,494

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**4. 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 certain 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 certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on Hand:* At fiscal year-end, the District had \$7,350 in cash on hand (petty cash) which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

*Cash with Fiscal Agent:* The District had \$8,916 in cash held by the Ross County School Employees Insurance Consortium, which is included on the combined balance sheet as "Cash with Fiscal Agent". The money is held in a pooled amount which is representative of numerous entities and therefore cannot be classified by risk under GASB Statement No. 3.

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, including non-negotiable certificates of deposit, was \$2,434,425, and the bank balance, including non-negotiable certificates of deposit, was \$2,448,222. Of the bank balance:

1. \$324,000 was covered by federal depository insurance; and
2. \$2,124,222 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**4. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)**

	Category 2	Reported Amount	Fair Value
Bankers acceptance	\$271,203	\$ 271,203	\$ 271,203
Investment in STAR Ohio		2,261,204	2,261,204
Total Investments		\$2,532,407	\$2,532,407

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, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of equity in pooled cash and cash equivalents 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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 4,983,098	\$ 0
Investments of the cash management pool:		
Bankers acceptance	(271,203)	271,203
Investment in STAR Ohio	(2,261,204)	2,261,204
Cash with fiscal agent	(8,916)	---
Cash on hand	(7,350)	---
GASB Statement No. 3	\$ 2,434,425	\$2,532,407

**5. INTERFUND TRANSACTIONS**

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

	Interfund Loans Receivable	Interfund Loans Payable
General Fund	\$86,624	\$ ---
<u>Special Revenue Fund</u>		
Martha Jennings Holden Grant	---	2,267
<u>Capital Projects Fund</u>		
Permanent Improvement	---	84,357
Totals	\$86,624	\$86,624

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**6. PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 1999, with an update to be done in 2002. The next revaluation is scheduled for 2005.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value, except for the personal property of rural electric companies, which is assessed 50% of market, and railroads, which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 2000 taxes were collected was \$265,363,466. Agricultural/residential and mineral real estate represented \$141,129,840 or 53.18% of this total; Commercial & industrial real estate represented \$56,175,600 or 21.17% of this total; public utility tangible represented \$15,720,150 or 5.92% of this total and general tangible property \$52,337,876 or 19.73% of this total. The voted general tax rate at the fiscal year ended June 30, 2001, was \$38.50 per \$1,000.00 of assessed valuation for operations, \$.25 per \$1,000.00 of assessed valuation for debt service and \$2.75 per \$1,000.00 of assessed valuation for permanent improvement.

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

The Pickaway County Treasurer collects property tax on behalf of the District. The Pickaway County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is, therefore, offset by a credit to deferred revenue. A total of \$158,258 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue, but not received by the district prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. 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.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**7. RECEIVABLES**

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

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$7,755,923
Accrued interest	49,614
Due from other governments	12,326
<u>Special Revenue Funds</u>	
Accounts	6,037
Due from other governments	165,395
<u>Debt Service Fund</u>	
Taxes - current and delinquent	47,525
<u>Capital Project Fund</u>	
Taxes - current and delinquent	722,384

**8. FIXED ASSETS**

**A. General Fixed Assets**

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$ 224,818	\$ ---	\$ ---	\$ 224,818
Buildings	8,833,835	---	---	8,833,835
Improvements other than buildings	309,522	---	---	309,522
Furniture and Equipment	2,658,140	189,953	(59,463)	2,788,630
Vehicles	<u>569,057</u>	<u>---</u>	<u>---</u>	<u>569,057</u>
<b>Total</b>	<b><u>\$12,595,372</u></b>	<b><u>\$189,953</u></b>	<b><u>\$(59,463)</u></b>	<b><u>\$12,725,862</u></b>



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**8. FIXED ASSETS**

**B. Proprietary Fixed Assets**

A summary of enterprise fund fixed assets at June 30, 2001, follows:

Furniture and equipment	\$ 234,553
Less: accumulated depreciation	<u>(124,513)</u>
Net fixed assets	<u>\$ 110,040</u>

**9. CAPITAL LEASE - LESSEE DISCLOSURE**

In a prior year, the District entered into a capitalized lease for computer equipment. This lease meets the criteria of a capital lease as defined by FASB Statement No.13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the combined financial statements for the government funds. These expenditures are reported as function expenditures on the budgetary statements.

General fixed assets consisting of computer equipment has been capitalized in the general fixed assets account group in the amount of \$39,670. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. The final principal and interest payments made in fiscal year 2001, were \$20,476 and \$1,833, respectively, and are reported as debt service expenditures in the general fund. The District had no capital lease obligations outstanding at June 30, 2001.

**10. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. Compensated absences are presented net of actual increases and decreases due to the practicality of determining these values.

	<u>July 1, 2000</u>	<u>Balance at Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2001</u>
General Obligation Bonds Payable	\$2,225,000	\$ ---	\$(275,000)	\$1,950,000
General Obligation Notes Payable	620,000	---	(145,000)	475,000
School Bus Bonds Payable	55,000	---	(13,000)	42,000
Capital Leases Payable	20,476	---	(20,476)	0
Compensated Absences Payable	1,158,348	126,096	---	1,284,444
Pension Obligation Payable	<u>93,358</u>	<u>101,577</u>	<u>(93,358)</u>	<u>101,577</u>
Total	<u>\$4,172,182</u>	<u>\$227,673</u>	<u>\$(546,834)</u>	<u>\$3,853,021</u>

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**10. LONG-TERM OBLIGATIONS (Continued)**

**General Obligation Bonds:** The \$1,950,000 of outstanding general obligation bonds relate to a project in 1987, for which bonds were issued for the purpose of constructing and equipping a new central office and addition to the high school and improving the site thereof at an interest rate of 7.5%. These notes mature December, 2007, and are in full compliance with the general laws of the State of Ohio, particularly Sections 133.01 to 133.48, inclusive, of the Revised Code and Section 133.09 thereof.

The annual maturities of the general obligation bonds as of June 30, 2001, and related interest payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2002	\$ 275,000	\$135,469	\$ 410,469
2003	275,000	114,906	389,906
2004	280,000	94,163	374,163
2005	280,000	73,238	353,238
2006	280,000	52,312	332,312
2007 - 2008	<u>560,000</u>	<u>41,850</u>	<u>601,850</u>
Total	<u>\$1,950,000</u>	<u>\$511,938</u>	<u>\$2,461,938</u>

**General Obligation Notes:** Energy conservation notes were issued by the District in two issues. The June, 1990 issue carries an interest rate of 7.7%, and the July, 1996 issue carries an interest rate of 5.4%. The annual maturities of the general obligation notes (energy conservation notes) as of June 30, 2001, and related interest payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2002	\$ 85,000	\$24,750	\$109,750
2003	90,000	20,500	110,500
2004	95,000	15,910	110,910
2005	100,000	10,970	110,970
2006	<u>105,000</u>	<u>5,670</u>	<u>110,670</u>
Total	<u>\$475,000</u>	<u>\$77,800</u>	<u>\$552,800</u>

**School Bus Bonds:** The District has issued bonds in the amount of \$90,000 for the purchase of school buses. This financing is authorized by the Ohio Revised Code Section 133.15A and Ohio Revised Code Section 3327.08. The bonds mature in 2004 and carry an interest rate of 5.3%. The annual maturities of the school bus bonds as of June 30, 2001, and related interest payments are as follows:

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**10 . LONG-TERM OBLIGATIONS (Continued)**

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Payment</u>
2002	\$13,000	\$2,247	\$15,247
2003	14,000	1,552	15,552
2004	<u>15,000</u>	<u>802</u>	<u>15,802</u>
Total	<u>\$42,000</u>	<u>\$4,601</u>	<u>\$46,601</u>

**A. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001, are a voted debt margin of \$24,260,683 (including available funds of \$2,369,971) and an unvoted debt margin of \$265,363.

**11. COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Only administrative and support personnel who are under a full year contract (260 days) are eligible for vacation time. The administrators are generally granted 20 days of vacation per year.

Classified employees earn 10 to 20 days of vacation per year, depending upon length of service. Vacation time, which is unused as of the employee's anniversary date, can be carried over to a subsequent year, with a maximum of 3 years accrual (60 days). Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

The classified personnel accumulate vacation based on the following schedule:

<u>Years Service</u>	<u>Vacation Days</u>
1-6	10
7-10	15
11-15	18
16-beyond	20

Each employee earns sick leave at the rate of one and one-half days per month. Sick leave shall accumulate during active employment on a continuous year-to-date basis. Maximum sick leave accumulation for all employees is 252 days.

For all employees, retirement severance is paid to each employee retiring from the District at a per diem rate of the annual salary at the time of retirement, if the employee has been employed by the District for a minimum of 10 consecutive years at the time of retirement. Any employee receiving retirement severance pay shall be entitled to a dollar amount equivalent to one-fourth of 120 days of all accumulated sick leave credited to that employee, of 30 day's pay, plus 1 day's pay for each 6 accrued sick leave days exceeding 120 days, not to exceed a total of 50 days of severance pay.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**12. RISK MANAGEMENT**

**A. Property and Liability**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District has addressed these various types of risk by purchasing a comprehensive insurance policy through commercial carriers.

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the aggregate. In addition, the District maintains a \$4,000,000 umbrella liability policy.

The District maintains fleet insurance in the amount of \$2,000,000 for any one accident or loss.

The District maintains replacement cost insurance on buildings and contents in the amount of \$44,100,000.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

**B. Employee Medical Insurance**

The District has established an internal service "self-insurance" fund, in conjunction with a formalized risk management program, in an effort to minimize risk exposure and control claims and premium costs. This self-insurance fund was established October 19, 1984, for the purpose of accumulating balances sufficient to self-insure dental treatments. The District pays the entire amount of premium contributions.

On July 1, 1998, the District joined the Ross County School Employees Insurance Consortium (RCSEIC) to self-insure its medical claims. RCSEIC currently includes 18 member school districts. Contributions are determined by the consortium's board of directors and are remitted monthly to the consortium's fiscal agent, who then pays all incurred claims. Thus, actual cash "reserves" are held by the fiscal agent. Settlements have never exceeded insurance coverage.

Professional Risk Management, Inc., a third party administrator, services all health/ medical claims and dental claims submitted by employees. An excess coverage insurance policy covers individual claims in excess of \$65,000 per employee consortium- wide.

The claims liability is \$376,711 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrator and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**12. RISK MANAGEMENT (Continued)**

**B. Employee Medical Insurance (Continued)**

<u>Fiscal Year</u>	<u>Balance</u>	<u>Year Claims</u>	<u>Current Paid</u>	<u>Claims Balance</u>
2001	\$243,915	\$1,378,924	\$(1,246,528)	\$376,311
2000	125,114	731,151	(612,350)	243,915

**C. Workers' Compensation**

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the School 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 & Co. provides administrative, cost control and actuarial services to the GRP.

**13. SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains one enterprise fund which provides lunchroom/cafeteria services, therefore segment information for the year ended June 30, 2001 is not presented in these notes.

**14. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**14. DEFINED BENEFIT PENSION PLANS (Continued)**

**A. School Employees Retirement System (Continued)**

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$228,812, \$246,123, and \$211,812, respectively; 36.86% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$144,480 represents the unpaid contribution for fiscal year 2001 and is recorded as a liability within the respective funds and the general long-term obligations account group.

**B. State Teachers Retirement System**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$1,173,366, \$1,083,415, and \$1,046,064, respectively; 82.10% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$210,048 represents the unpaid contribution for fiscal year 2001, and 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, 2001, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**15. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through 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 STRS and SERS based on authority granted by State statute. Both STRS and SERS are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$377,153 during fiscal 2001.

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

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. 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 year 2001, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% 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% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$183,261 during the 2001 fiscal year.

**16. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance on the basis of GAAP, 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 Comparison (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:

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**16. 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, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and
- (d) Certain funds that are classified as part of the general fund (GAAP basis) are reported in other fund types on a cash basis (budget basis). These items are reflected as "fund reclassifications".

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

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

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ 481,058	\$ (66,457)	\$ 104,680	\$(16,515)
Net adjustment for revenue accruals	(1,183,228)	25,266	(20,949)	13,409
Net adjustment for expenditure accruals	109,870	(358,098)	(108,750)	(34,018)
Net adjustment for other sources/uses	(99,057)	141,215	(126,632)	(84,357)
Adjustment for encumbrances	<u>131,263</u>	<u>447,306</u>	<u>---</u>	<u>34,794</u>
GAAP basis	<u>\$ (560,094)</u>	<u>\$ 189,232</u>	<u>\$ (151,651)</u>	<u>\$(86,687)</u>



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**17. CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

The District is party to various legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

**C. School Funding Decision**

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

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On November 5, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 23, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

**18. STATUTORY RESERVES**

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

	<u>Capital Textbooks</u>	<u>Budget Acquisition</u>	<u>Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 56,298	\$ 0	\$ 103,559
Current year set-aside requirement	325,039	325,039	0
Current year offsets	---	---	(103,559)
Qualifying disbursements	<u>(465,492)</u>	<u>(394,375)</u>	<u>---</u>
Total	<u>\$ (84,155)</u>	<u>\$ (69,336)</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ (84,155)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$82,071</u>
Total restricted assets	<u>\$82,071</u>

CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY

SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Number	Federal C.F.D.A. Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. Department of Agriculture</b>						
<i>Passed through Ohio Department of Education:</i>						
<b>Child Nutrition Cluster</b>						
Food Distribution (See Note "B")		10.550	\$0	\$47,611	\$0	\$48,482
National School Breakfast Program	05-PU 2001	10.553	23,529	0	23,529	0
National School Lunch Program	LL-P4-2001	10.555	203,753	0	203,753	0
<b>Total U.S. Department of Agriculture- Child Nutrition Cluster</b>			227,282	47,611	227,282	48,482
<b>U.S. Department of Education</b>						
<i>Pass through the Ohio Department of Education:</i>						
Title I	C1-S1 2001 C1-S1-2000	84.010	326,233 73,835 400,068	0 0 0	314,306 128,302 442,608	0 0 0
Drug Free Grant	DR-S1 2001 DR-S1 2000	84.186	10,360 0 10,360	0 0 0	9,918 1,791 11,709	0 0 0
Goals 2000	G2-S2 2001 G2-S2 2000	84.276	14,000 21,000 35,000	0 0 0	0 12,462 12,462	0 0 0
Eisenhower Professional Development	MS-S1 2001 MS-S1 2000	84.281	10,844 8,668 19,512	0 0 0	6,603 5,529 12,132	0 0 0
Innovative Educational Program Strategy	C2-S1 2001 C2-S1 2000 C2-S1 1999	84.298	8,063 4,753 0 12,816	0 0 0 0	6,543 6,605 492 13,640	0 0 0 0
Class Size Reduction	CR-S1 2001 CR-S1 2000	84.340	20,018 26,756 46,774	0 0 0	10,347 32,662 43,009	0 0 0
<b>Special Education Cluster</b>						
Education of the Handicapped -Preschool Title VI-B	PG-S1 01 PG-S1 00	84.173	9,007 0 9,007	0 0 0	7,891 5,546 13,437	0 0 0
Title VI-B	6B-SF 01 6B-SF 00	84.027	146,841 38,020 184,861	0 0 0	109,076 39,241 148,317	0 0 0
<i>Total Special Education Cluster</i>			193,868	0	161,754	0
<b>Total U.S. Department of Education</b>			718,398	0	697,314	0
<b>U.S. Department of Health and Human Services</b>						
<i>Pass through the Ohio Department of MRDD:</i>						
Medical Assistance Program (CAFS)	N/A	93.778	45,902	0	45,902	0
<b>Total U.S. Department of Health and Human Services</b>			45,902	0	45,902	0
<b>Total Federal Awards</b>			<u>\$991,582</u>	<u>\$47,611</u>	<u>\$970,498</u>	<u>\$48,482</u>

The accompanying notes to this schedule are an integral part of this schedule

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES**

**NOTE-A-- SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of federal awards receipts and expenditures ( the Schedule) is a summary of the activity of the Districts federal award programs.

The Schedule has been prepared on the cash basis of accounting.

**NOTE B--FOOD DISTRIBUTION**

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed.

At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Circleville City School District  
Pickaway County  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

We have audited the general purpose financial statements of the Circleville City School District, Pickaway County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 23, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10665-001. We also noted immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 23, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 2001-10665-002 through 2001-10665-004.

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. 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 believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 23, 2002.

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

**JIM PETRO**  
Auditor of State

January 23, 2002



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

Circleville City School District  
Pickaway County  
388 Clark Drive  
Circleville, Ohio 43113

To the Board of Education:

**Compliance**

We have audited the compliance of Circleville City School District, Pickaway County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2001. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

**Internal Control Over Compliance**

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

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

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

**JIM PETRO**  
Auditor of State

January 23, 2002



**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<b>Title I #84.010</b>
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	Yes

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

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

<b>Finding Number</b>	<b>2001-10665-001</b>
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**Expenditures Exceeding Appropriations**

Ohio Rev. Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. At June 30, 2001, the Capital Projects fund had disbursements exceeding appropriations summarized below:

**DISBURSEMENTS EXCEEDING APPROPRIATIONS  
AT JUNE 30, 2001**

<b>Fund Type</b>	<b>Appropriations</b>	<b>Disbursements</b>	<b>Variance</b>
Capital Projects	\$410,694	\$553,188	(\$142,494)

We recommend the District not make any expenditure of monies unless there is available appropriation.

<b>Finding Number</b>	<b>2001-10665-002</b>
-----------------------	-----------------------

**Payroll Account Reconciliation**

The District did not perform periodic reconciliations between the payroll clearing account and payroll expenditures for the period of August, 2000 through June 30, 2001. Upon our request, the District did perform and complete the June 30, 2001 reconciliation which resulted in a cash shortfall of \$5,397- the payroll ledgers reported more cash than on deposit with the bank. At October 31, 2001, the District could not balance this account. The reported shortfall at October, 2001 is approximately \$5,658.

The District should perform periodic reconciliations between the bank account and the payroll expenditures. Management should review each reconciliation for completeness and accuracy. Any discrepancies should be investigated, and resolved prior to the next month's reconciliation.

We recommend the District perform monthly reconciliations between the bank and the payroll expenditures, as documented in the computer system. Management should review the reconciliation for completeness, accuracy and resolve any discrepancies identified. We further recommend the District reconcile the account to eliminate the above noted shortfall by the next regular financial audit. We suggest the District review each transaction processed through the bank account to verify the proper amount was either deposited or expended based on documentation in the payroll ledgers; review the voided checks to ensure the voided check did not clear the bank account; and verify all checks cashed were for payroll related expenditures. If these steps are performed and the District is still unable to reconcile the account, we recommend the District contract with either a private individual familiar with the payroll accounting system, a local accounting firm or Local Government Services to assist them in reconciling the account.

**CIRCLEVILLE CITY SCHOOL DISTRICT  
PICKAWAY COUNTY**

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

<b>Finding Number</b>	<b>2001-10665-003</b>
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**Segregation of Duties - Payroll**

A basic principle of internal control is the segregation of duties. Segregation of duties is sought so that no one individual is in a position to initiate or conceal unauthorized transactions. In order to implement appropriate segregation of duties within a transaction cycle, different individuals are usually assigned to unrelated functions/duties to assist in the prevention of loss that could be brought about by the lack of properly segregated functions/duties.

The payroll clerk was assigned the responsibility of updating the master file to reflect name, address, rate of pay and pay status changes, processing bi-weekly payroll, reconciling payroll transactions to the payroll clearing account, monitoring the accuracy and completeness of employee retirement status, and the distributing of payroll checks to building personnel. No apparent management review of the master file changes, or payroll transaction processing, and its related functions, was performed. This weakness could prevent management from detecting errors, irregularities or the misappropriation of District assets in a timely manner.

These weaknesses, and the lack of payroll reconciliation performance, did facilitate the under payment of six employees totaling \$14,451, and the over payment of one individual for \$435. The District has made payment to these employees, and collected on the overpayment, as of October 2001.

We recommend the District segregate the functions of the payroll clerk to other individuals to help ensure errors and irregularities are detected by management timely. Management should implement monitoring procedures over the master file so only authorized changes are made.

<b>Finding Number</b>	<b>2001-10665-004</b>
-----------------------	-----------------------

**Fixed Asset System**

At June 30, 2001, the District reported fixed assets at a historical cost of \$12,725,862. The District has not developed policies and procedures to track fixed asset purchases, their movement either from building to building or classroom to classroom and their retirement, upon obsolescence or trade-in.

An effective fixed asset tracking system helps to ensure District assets are safeguarded against theft, misappropriation or misuse and that the asset listing is representative of assets currently owned. Asset tracking forms such as acquisition and disposal forms are not utilized by the District. This control weakness could result in the misappropriation, theft, or diversion of District assets or noncompliance regarding assets purchased with federal awards without management's knowledge.

We recommend the District develop and implement a perpetual fixed asset tracking system that will monitor and record, by location, additions, deletions and retirements and help ensure that District assets are safeguarded against theft, misappropriation and misuse. The District should utilize tracking forms which should flow through the Treasurer's office where the asset movement can be monitored, tracked and updated to a master fixed asset listing in order to keep a complete and accurate listing of fixed assets on a perpetual basis. Periodic physical inventory counts and observations should be performed and the results compared to the perpetual listing for adjustment, if warranted. Significant variances should be investigated for resolution. Each District asset should be tagged with a distinct identifying number that is traceable to the perpetual inventory listing.





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**CIRCLEVILLE CITY SCHOOL DISTRICT**

**PICKAWAY 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 21, 2002**