



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

SINGLE AUDIT

FOR THE FISCAL ENDED JUNE 30, 1999



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Washington Court House City School District, Fayette County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, 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.

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

Because of inadequacies in the District's accounting records, we were unable to obtain adequate supporting documentation regarding the amounts reported as fixed assets in the General Fixed Assets Account Group and the Proprietary Fund Type at June 30, 1999 (stated at \$6,132,213 and \$57,509, respectively) or the amount of Proprietary Fund Type depreciation expense for the year then ended.

Since the District did not maintain adequate records to support fixed asset balances and activity, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the General Fixed Assets Account Group.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain records concerning the Proprietary Fund Type fixed assets, and except as we express no opinion on the financial statements of the General Fixed Assets Account Group, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Washington Court House City School District, Fayette County, Ohio, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary funds and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As more fully described in Note 20 to the general-purpose financial statements, the District presented fixed assets at replacement cost. In our opinion, generally accepted accounting principles require that fixed assets be recorded at cost on the general-purpose financial statements.

As more fully described in Note 20 to the general-purpose financial statements, the District changed its fund type classifications of certain funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

Jim Petro
Auditor of State

January 27, 2000

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Washington Court House City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 1999

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Assets and Other Debits:			
Equity in Pooled Cash and Investments	\$1,135,035	\$475,562	\$309,817
Restricted Equity in Pooled Cash and Investments	244,198	0	0
Receivables:			
Taxes	4,027,048	0	0
Accounts	10,627	1,787	0
Accrued Interest	4,294	499	788
Inventory	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0
Other Debits:			
Amount Available in Debt Service Fund for Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0
Total Assets & Other Debits	<u>\$5,421,202</u>	<u>\$477,848</u>	<u>\$310,605</u>
Liabilities, Fund Equity & Other Credits:			
Liabilities:			
Accounts Payable	\$15,838	\$13,716	\$0
Accrued Wages & Benefits	1,201,594	109,554	0
Compensated Absences Payable	111,997	0	0
Accrued Interest Payable	0	0	513
Deferred Revenue	2,754,892	0	0
Due to Students	0	0	0
Notes Payable	0	0	50,000
Total Liabilities	<u>4,084,321</u>	<u>123,270</u>	<u>50,513</u>
Fund Equity & Other Credits:			
Investment in General Fixed Assets	0	0	0
Retained Earnings:			
Unreserved	0	0	0
Fund Balance:			
Reserved for Encumbrances	235,747	132,443	12,719
Reserved for Endowments	0	0	0
Reserved for Property Tax Advances	1,272,156	0	0
Reserved For Set-Asides	244,198	0	0
Unreserved & Undesignated	(415,220)	222,135	247,373
Total Fund Equity (Deficit) & Other Credits	<u>1,336,881</u>	<u>354,578</u>	<u>260,092</u>
Total Liabilities, Fund Equity & Other Credits	<u>\$5,421,202</u>	<u>\$477,848</u>	<u>\$310,605</u>

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$79,520	\$211,718	\$0	\$0	\$2,211,652
0	0	0	0	244,198
0	0	0	0	4,027,048
0	105	0	0	12,519
161	743	0	0	6,485
24,059	0	0	0	24,059
57,509	0	6,132,213	0	6,189,722
0	0	0	294,020	294,020
<u>\$161,249</u>	<u>\$212,566</u>	<u>\$6,132,213</u>	<u>\$294,020</u>	<u>\$13,009,703</u>
\$8,862	\$77	\$0	\$0	\$38,493
57,474	0	0	78,820	1,447,442
3,934	0	0	145,023	260,954
0	0	0	0	513
17,608	0	0	0	2,772,500
0	20,219	0	0	20,219
0	0	0	70,177	120,177
<u>87,878</u>	<u>20,296</u>	<u>0</u>	<u>294,020</u>	<u>4,660,298</u>
0	0	6,132,213	0	6,132,213
73,371	0	0	0	73,371
0	0	0	0	380,909
0	116,875	0	0	116,875
0	0	0	0	1,272,156
0	0	0	0	244,198
0	75,395	0	0	129,683
<u>73,371</u>	<u>192,270</u>	<u>6,132,213</u>	<u>0</u>	<u>8,349,405</u>
<u>\$161,249</u>	<u>\$212,566</u>	<u>\$6,132,213</u>	<u>\$294,020</u>	<u>\$13,009,703</u>

Washington Court House City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Funds
 For the Year Ended June 30, 1999

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
Taxes	\$3,989,870	\$0	\$0	\$0	\$3,989,870
Intergovernmental	6,887,582	957,776	389,531	0	8,234,889
Investment	69,062	6,282	10,903	2,719	88,966
Tuition & Fees	43,703	0	0	0	43,703
Extracurricular Activities	0	211,268	0	0	211,268
Miscellaneous	43,511	35,237	50,431	24,116	153,295
Total Revenues	11,033,728	1,210,563	450,865	26,835	12,721,991
Expenditures:					
Current:					
Instruction:					
Regular	5,094,958	140,650	179,111	0	5,414,719
Special	1,017,689	418,171	0	0	1,435,860
Vocational	108,218	0	0	0	108,218
Other	97,403	0	0	0	97,403
Support Services:					
Pupils	481,768	109,815	4,000	0	595,583
Instructional Staff	433,537	183,638	0	9,935	627,110
Board of Education	13,967	0	0	0	13,967
Administration	1,083,909	72,920	0	0	1,156,829
Fiscal	336,446	2,099	0	0	338,545
Operation & Maintenance of Plant	1,107,810	0	7,511	0	1,115,321
Pupil Transportation	385,248	0	0	0	385,248
Central	151,691	3,632	350	0	155,673
Operation of Non-Instructional Services	1,655	0	0	18,837	20,492
Extracurricular Activities	262,564	148,274	0	0	410,838
Capital Outlay	60,550	0	412,181	0	472,731
Debt Service:					
Principal Retirement	0	0	65,791	0	65,791
Interest & Fiscal Charges	0	0	12,264	0	12,264
Total Expenditures	10,637,413	1,079,199	681,208	28,772	12,426,592
Excess of Revenues Over (Under) Expenditures	396,315	131,364	(230,343)	(1,937)	295,399
Other Financing Sources (Uses):					
Proceeds from Sale of Fixed Assets	375	0	1,000	0	1,375
Refund of Prior Year Expenditures	9,218	976	0	200	10,394
Operating Transfers In	80,300	0	161,960	0	242,260
Operating Transfers Out	(242,260)	0	0	0	(242,260)
Total Other Financing Sources (Uses)	(152,367)	976	162,960	200	11,769
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	243,948	132,340	(67,383)	(1,737)	307,168
Fund Balance, Beginning of Year Restated	1,092,933	222,238	327,475	64,692	1,707,338
Fund Balance, End of Year	\$1,336,881	\$354,578	\$260,092	\$62,955	\$2,014,506

See accompanying notes.

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Washington Court House City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 1999

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$4,217,377	\$4,217,377	\$0	\$0	\$0	\$0
Intergovernmental	6,887,582	6,887,582	0	957,776	957,776	0
Investment	64,768	64,768	0	5,783	5,783	0
Tuition & Fees	43,703	43,703	0	0	0	0
Extracurricular Activities	0	0	0	209,533	209,533	0
Miscellaneous	32,884	32,884	0	35,185	35,185	0
Total Revenues	11,246,314	11,246,314	0	1,208,277	1,208,277	0
Expenditures:						
Current:						
Instruction:						
Regular	5,128,474	5,112,512	15,962	238,481	205,620	32,861
Special	1,060,702	1,025,521	35,181	498,958	451,405	47,553
Vocational	108,784	107,498	1,286	0	0	0
Other	135,439	107,833	27,606	0	0	0
Support Services:						
Pupils	493,139	484,722	8,417	133,945	115,020	18,925
Instructional Staff	471,803	459,497	12,306	235,994	192,373	43,621
Board of Education	16,067	14,431	1,636	0	0	0
Administration	1,096,806	1,078,927	17,879	78,707	69,469	9,238
Fiscal	359,571	341,755	17,816	2,397	2,063	334
Operation & Maintenance of Plant	1,300,142	1,177,369	122,773	0	0	0
Pupil Transportation	528,282	474,688	53,594	0	0	0
Central	177,144	170,955	6,189	9,649	3,632	6,017
Operation of Non-Instructional Services	2,000	1,655	345	0	0	0
Extracurricular Activities	288,385	262,558	25,827	187,236	174,312	12,924
Capital Outlay	83,427	83,411	16	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	11,250,165	10,903,332	346,833	1,385,367	1,213,894	171,473
Excess (Deficiency) of Revenues Over Under Expenditures	(3,851)	342,982	346,833	(177,090)	(5,617)	171,473
Other Financing Sources (Uses):						
Proceeds of Notes	0	0	0	0	0	0
Proceeds from Sale of Fixed Assets	375	375	0	0	0	0
Refund of Prior Year Expenditures	9,218	9,218	0	976	976	0
Operating Transfers In	80,300	80,300	0	32,123	32,123	0
Operating Transfers Out	(242,260)	(242,260)	0	(32,123)	(32,123)	0
Advances In	55,000	55,000	0	0	0	0
Advances Out	(55,000)	(55,000)	0	0	0	0
Total Other Financing Sources (Uses)	(152,367)	(152,367)	0	976	976	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(156,218)	190,615	346,833	(176,114)	(4,641)	171,473
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	942,788	942,788	0	335,474	335,474	0
Fund Balance, End of Year	\$786,570	\$1,133,403	\$346,833	\$159,360	\$330,833	\$171,473

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$4,217,377	\$4,217,377	\$0
0	0	0	389,531	389,531	0	8,234,889	8,234,889	0
0	0	0	10,115	10,115	0	80,666	80,666	0
0	0	0	0	0	0	43,703	43,703	0
0	0	0	0	0	0	209,533	209,533	0
0	0	0	50,431	50,431	0	118,500	118,500	0
0	0	0	450,077	450,077	0	12,904,668	12,904,668	0
0	0	0	262,662	256,053	6,609	5,629,617	5,574,185	55,432
0	0	0	4,200	4,000	200	1,563,860	1,480,926	82,934
0	0	0	0	0	0	108,784	107,498	1,286
0	0	0	0	0	0	135,439	107,833	27,606
0	0	0	0	0	0	627,084	599,742	27,342
0	0	0	0	0	0	707,797	651,870	55,927
0	0	0	0	0	0	16,067	14,431	1,636
0	0	0	0	0	0	1,175,513	1,148,396	27,117
0	0	0	0	0	0	361,968	343,818	18,150
0	0	0	8,450	7,511	939	1,308,592	1,184,880	123,712
0	0	0	0	0	0	528,282	474,688	53,594
0	0	0	350	350	0	187,143	174,937	12,206
0	0	0	0	0	0	2,000	1,655	345
0	0	0	0	0	0	475,621	436,870	38,751
0	0	0	552,024	497,733	54,291	635,451	581,144	54,307
75,000	75,000	0	0	0	0	75,000	75,000	0
3,300	3,300	0	0	0	0	3,300	3,300	0
78,300	78,300	0	827,686	765,647	62,039	13,541,518	12,961,173	580,345
(78,300)	(78,300)	0	(377,609)	(315,570)	62,039	(636,850)	(56,505)	580,345
0	0	0	50,000	50,000	0	50,000	50,000	0
0	0	0	1,000	1,000	0	1,375	1,375	0
0	0	0	0	0	0	10,194	10,194	0
78,300	78,300	0	83,660	83,660	0	274,383	274,383	0
0	0	0	0	0	0	(274,383)	(274,383)	0
0	0	0	50,000	50,000	0	105,000	105,000	0
0	0	0	(50,000)	(50,000)	0	(105,000)	(105,000)	0
78,300	78,300	0	134,660	134,660	0	61,569	61,569	0
0	0	0	(242,949)	(180,910)	62,039	(575,281)	5,064	580,345
0	0	0	478,008	478,008	0	1,756,270	1,756,270	0
\$0	\$0	\$0	\$235,059	\$297,098	\$62,039	\$1,180,989	\$1,761,334	\$580,345

Washington Court House City School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings/Fund Balance
 Proprietary Fund Type and Nonexpendable Trust Funds
 For the Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:			
Investment Revenue	\$161	\$5,840	\$6,001
Charges for Services	307,058	0	307,058
Tuition & Fees	62,702	0	62,702
Miscellaneous Revenue	<u>5,082</u>	<u>50,000</u>	<u>55,082</u>
Total Operating Revenues	<u>375,003</u>	<u>55,840</u>	<u>430,843</u>
Operating Expenses:			
Salaries	264,449	0	264,449
Fringe Benefits	63,138	0	63,138
Purchased Services	17,302	0	17,302
Materials & Supplies	392,807	0	392,807
Depreciation	11,322	0	11,322
Other Operating Expenses	<u>175</u>	<u>6,949</u>	<u>7,124</u>
Total Operating Expenses	<u>749,193</u>	<u>6,949</u>	<u>756,142</u>
Operating Income (Loss)	<u>(374,190)</u>	<u>48,891</u>	<u>(325,299)</u>
Non-Operating Revenues (Expenses):			
Investment Revenue	3,348	0	3,348
Donated Commodities	64,209	0	64,209
Operating Grants - State & Local	15,604	0	15,604
Operating Grants - Federal	<u>218,607</u>	<u>0</u>	<u>218,607</u>
Total Non-Operating Revenues	<u>301,768</u>	<u>0</u>	<u>301,768</u>
Net Income	(72,422)	48,891	(23,531)
Retained Earnings/Fund Balance, Beginning of Year Restated	<u>145,793</u>	<u>80,424</u>	<u>226,217</u>
Retained Earnings/Fund Balance, End of Year	<u><u>\$73,371</u></u>	<u><u>\$129,315</u></u>	<u><u>\$202,686</u></u>

See accompanying notes.

Washington Court House City School District
 Combined Statement of Cash Flows
 Proprietary Fund Type and NonExpendable Trust Funds
 For the Year Ended June 30, 1999

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	Totals (Memorandum only)
	<u>Enterprise</u>	Nonexpendable <u>Trust</u>	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$62,702	\$0	\$62,702
Cash Received from Investment Earnings	0	5,840	5,840
Cash Received from Charges for Services	307,058	0	307,058
Cash Received from Miscellaneous Sources	5,082	50,000	55,082
Cash Payments for Personal Services	(319,518)	0	(319,518)
Cash Payments for Contract Services	(17,302)	0	(17,302)
Cash Payments for Supplies & Materials	(330,064)	0	(330,064)
Cash Payments for Other Expenses	(175)	(6,949)	(7,124)
Net Cash Provided (Used) by Operating Activities	<u>(292,217)</u>	<u>48,891</u>	<u>(243,326)</u>
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Other Funds	5,000	0	5,000
Cash Received from Operating Grants	234,211	0	<u>234,211</u>
Cash Received from Investment Earnings	3,348	0	3,348
Other	(5,000)	0	<u>(5,000)</u>
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>237,559</u>	<u>0</u>	<u>237,559</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(54,658)	48,891	(5,767)
Cash and Cash Equivalents at Beginning of Year	<u>134,178</u>	<u>80,424</u>	<u>214,602</u>
Cash and Cash Equivalents at End of Year	<u>\$79,520</u>	<u>\$129,315</u>	<u>\$208,835</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$374,190)	\$48,891	(\$325,299)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	11,322	0	11,322
Donated Commodities Used	64,209	0	64,209
Changes in Assets and Liabilities:			
(Increase) Decrease in Accrued Interest	(161)	0	(161)
(Increase) Decrease in Materials & Supplies Inventory	3,019	0	3,019
Increase (Decrease) in Accounts Payable	5,741	0	5,741
Increase (Decrease) in Accrued Wages & Benefits	6,963	0	6,963
Increase (Decrease) in Compensated Absences Payable	(4,635)	0	(4,635)
Increase (Decrease) in Deferred Revenue	(4,485)	0	(4,485)
Net Cash Provided (Used) by Operating Activities	<u>(\$292,217)</u>	<u>\$48,891</u>	<u>(\$243,326)</u>
Reconciliation of Nonexpendable Trust Fund to Balance Sheet:			
All Fiduciary Fund Types Cash and Cash Equivalents		\$211,718	
Expendable Trust Fund Cash and Cash Equivalents		(62,435)	
Agency Funds Cash and Cash Equivalents		<u>(19,968)</u>	
Nonexpendable Trust Fund Cash and Cash Equivalents		<u>\$129,315</u>	

See accompanying notes.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1: DESCRIPTION OF THE DISTRICT

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

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

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

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

Today, the District owns nine major educational facilities: four elementary buildings (Belle Aire, Cherry Hill, Eastside, and Rose Avenue), one middle school (Washington Middle School), one high school (Washington Senior High), Education Service Center (District office), one kindergarten (Sunnyside), and Gardner Park Sports Complex. The total enrollment varies from year to year but averages 2,360 students per year and the average senior class has 145 students graduating.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

B. Basis of Presentation - Fund Accounting

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

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

General Fund

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

Special Revenue Funds

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

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups.

Capital Projects Fund

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

Proprietary Funds - Proprietary Funds are used to account for the District's on-going activities which are similar to those most often found in the private sector. Following is the District's Proprietary Fund Type:

Enterprise Funds

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Fiduciary Funds - Fiduciary Funds are used for the assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include Expendable Trust, Nonexpendable Trust, and Agency Funds. Expendable Trust funds are accounted for in essentially the same manner as Governmental Funds. Nonexpendable Trust Funds are accounted for essentially the same as Proprietary Funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

General Fixed Assets Account Group

This group of accounts is established to account for all fixed assets of the District, other than those accounted for in Proprietary Funds and Trust Funds.

General long-term Obligations Account Group

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

C. Measurement Focus/Basis of Accounting

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Data

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

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

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

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

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Fayette County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Fayette County Budget Commission and received the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Fayette County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriations totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All department/functions and funds completed the year within the amount of their legally authorized appropriation.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Encumbrances

Encumbrance accounting is utilized by District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditures and does not represent a liability. For Governmental Fund Types encumbrances outstanding at fiscal year end appear as a reserve of the fund balance on a GAAP Basis and for all funds as the equivalent of expenditures/expenses on a non-GAAP budgetary basis in order to demonstrate legal compliance.

F. Cash and Investments

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

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

During fiscal year 1999, investments were limited to repurchase agreements. Repurchase agreements are non-participating investment contracts and were valued at cost.

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

G. Inventory

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General Fixed Assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during theyear in the General Fixed Assets Account Group. Donated fixed assets are recorded at their fair market values as of the date donated. No depreciation is recognized for assets in the General Fixed Assets Account Group. The District does not possess any infrastructure.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Proprietary Funds

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

Building Improvements	20-40 years
Equipment	3-15 years

I. Intergovernmental Revenues

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

J. Compensated Absences

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

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

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

	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
Vacation:			
How Earned	Not Eligible	20 days per year accumulated at 1.667 per month	10-20 days for each year depending on length of service
Maximum Accumulation	Not Eligible	60 days	60 days
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick Leave:

How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	Contract year + 15 days (Range from 200- 275 days)	Contract year + 15 days (Range from 220 - 220 days)	Contract year + 15 days (Range from 200 269 days)
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

K. Inter-fund Transactions

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

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

L. Long-Term Obligations

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriations or is legally segregated for a specific use. Fund balances are reserved for encumbrances, property tax advances and set-asides. The reserve for property taxes represents amounts accrued as revenue in accordance with GAAP, but not available for appropriation according to state statute. The reserve for set-asides represents state-mandated reserves for capital maintenance and budget stabilization. The

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

unreserved portions of fund equity reflected for the Governmental Funds are available for use within the special purpose of those funds.

N. Memorandum Only - Total Columns

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

O. Proprietary Fund Accounting

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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 issuance's of federal government agencies or instrumentality's.
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investments at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

During fiscal year 1999, the District's investments were limited to overnight repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

At fiscal year end, the School District had \$30 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$176,689 and the bank balance was \$614,164. Of the bank balance, \$201,100 was covered by federal depository insurance. Zero dollars was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Value/Fair Value</u>
Repurchase Agreement	\$ -0-	\$2,279,131	\$2,279,131
Totals:	\$ -0-	\$2,279,131	\$2,279,131
	=====	=====	=====

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement 9	\$ 2,455,850	\$ -0-
Cash On Hand	\$ (30)	
Investments: Repurchase Agreement	\$(2,279,131)	\$2,279,131
GASB Statement 3	\$ 176,689	\$2,279,131
	=====	=====

NOTE 4: PROPERTY TAXES

Property taxes included amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 1999 were based are as follows:

Tangible Personal	\$ 31,556,050
Public Utility & Real Estate	\$124,060,260
 Total Assessed Property Value	 \$155,616,310
	=====

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 4: PROPERTY TAXES (Continued)

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be re-valued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

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

NOTE 5: FIXED ASSETS

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

	Balance <u> </u> Beg of Year	Additions <u> </u>	Disposal <u> </u>	Balance <u> </u> End of Year
Land	\$ 246,759	\$ -0-	\$ -0-	\$ 246,759
Building & Building Improvements	\$ 1,220,253	\$ -0-	\$ -0-	\$ 1,220,253
Equipment	<u>\$ 4,665,201</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,665,201</u>
Total	<u>\$ 6,132,213</u> =====	<u>\$ -0-</u> =====	<u>\$ -0-</u> =====	<u>\$ 6,132,213</u> =====

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

Equipment	\$221,584
Less Accumulated Depreciation	<u>- 164,075</u>
Net Fixed Assets	<u>\$ 57,509</u> =====

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 6: NOTES PAYABLE

The District issued a short-term note in the Permanent Improvement Fund during fiscal year 1999. The balance at year end was as follows:

	Balance <u>Beg of Year</u>	Issued _____	Retired _____	Balance <u>End of Year</u>
Capital Projects Notes Payable:				
4.4% School				
Improvement	\$ 75,000	\$ 50,000	\$ 75,000	\$ 50,000
Total Notes Payable	\$ 75,000	\$ 50,000	\$ 75,000	\$ 50,000
	=====	=====	=====	=====

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

During the year ended June 30, 1999, the following changes occurred in debt reported in the General Long-Term Obligations Account Group.

	Balance Beg <u>of Year</u>	Increase _____	Decrease _____	Balance End <u>of Year</u>
Accrued Wages & Benefits	\$ 79,229	\$ -0-	\$ 409	\$ 78,820
Computer Note	\$135,968	\$ -0-	\$ 65,791	\$ 70,177
Compensated Absences	\$510,991	\$ -0-	\$ 365,968	\$145,023
Total	\$726,188	\$ -0-	\$ 432,168	\$294,020
	=====	=====	=====	=====

NOTE 8: SEGMENT INFORMATION

Enterprise Funds:

The District maintains four Enterprise Funds to account for various enterprise operations. The table below reflects, in a summarized format, the more significant financial data relating to the Enterprise Funds of the District as of and for the current year end.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 8: SEGMENT INFORMATION (Continued)

	<u>FOOD SERVICE</u>	<u>UNIFORM SUPPLY</u>	<u>P.A.C.E. COM. ED</u>	<u>CREATIVE CARE</u>	<u>TOTAL</u>
Operating Revenue	\$ 307,199	\$ 6,118	\$ 20	\$ 61,666	\$ 375,003
Operating Expenses*	\$ 654,191	\$ 7,408	\$ 3,343	\$ 72,929	\$ 737,871
Depreciation	\$ 11,322	-0-	-0-	-0-	\$ 11,322
Operating Income (Loss)	\$(358,314)	\$ (1, 290)	\$(3,323)	\$ (11,263)	\$(374,190)
Non-operating Revenue	\$ 299,310	\$ 1, 069	\$ 342	\$ 1,047	\$ 301,768
Net Income (Loss)	\$ (59,004)	\$ (221)	\$ (2,981)	\$ (10,216)	\$ (72,422)
Operating Transfers In (Out)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Net Income (Loss)	\$ (59,004)	\$ (221)	\$ (2,981)	\$ (10,216)	\$ (72,422)
Net Working Capital	\$ (5,675)	\$ 186	\$ 6,355	\$ 14,996	\$ 15,862
Total Assets	\$ 126,959	\$ 186	\$ 6,387	\$ 24,717	\$ 161,249
Total Liabilities	\$ 75,125	\$ -0-	\$ 32	\$ 12,721	\$ 87,878
Total Equity	\$ 51,834	\$ 186	\$ 6,355	\$ 14,996	\$ 73,371

*before Depreciation

NOTE 9: EMPLOYEE RETIREMENT SYSTEMS & DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

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

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 9: EMPLOYEE RETIREMENT SYSTEMS & DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$272,124, \$267,402, and \$250,644 respectively; 83 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$136,176 representing the unpaid contribution for fiscal year 1999, is recorded as a liability for accrued wages and benefits within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, nor to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ending June 30, 1999, 1998, and 1997 were \$843,444, \$779,520, and \$793,536, respectively; 82 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$143,448 representing the unpaid contribution for fiscal year 1999, is recorded as a portion of the liability for accrued wages and benefits within the respective funds.

NOTE 10: POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 1997, the Board allocated employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund. Beginning July 1, 1997, this allocation was increased to 3.5 percent. For the year ended June 30, 1999, the allocation will be 8% of the covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2,156 million at June 30, 1998. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000 and STRS had 91,999 eligible benefit recipients.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 10: POST EMPLOYMENT BENEFITS (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The Surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. Expenses for health care at June 30, 1998, were \$111,900,575 and the target level was \$139.9 million. At June 30, 1998 SERS had net assets available for payment of health care benefits of \$160.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11: BUDGETARY BASIS OF ACCOUNTING

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

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis				
<u>Governmental Fund Types</u>	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
GAAP Basis	\$ 243,948	\$ 132,340	\$ -0-	\$ (67,383)
Net Adjustments for Revenue Accruals	\$ 267,586	\$ 29,837	\$ 78,300	\$ 20,912
Net Adjustment for Expenditure Accruals	\$ (75,087)	\$ (22, 093)	\$ (78,300)	\$ (121,720)
Encumbrances	<u>\$ (245,832)</u>	<u>\$ (144,725)</u>	<u>\$ -0-</u>	<u>\$ (12,719)</u>
Budgetary Basis	\$ 190,615 =====	\$ (4,641) =====	\$ -0- =====	\$ (180,910) =====

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 12: COMPLIANCE AND ACCOUNTABILITY

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

NOTE 13: CONTINGENT LIABILITIES

Grants

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

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

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

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

NOTE 15: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

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

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$33,550,300.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 15: RISK MANAGEMENT (Continued)

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

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

NOTE 16: STATE AND FEDERAL GRANTS

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

NOTE 17: UNCERTAINTIES

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$6,215,634 of school foundation support for its general fund, and \$6,334,516 in total (all funds) support. As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future state funding under this program.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

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

NOTE 18: YEAR 2000 ISSUE

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

Washington Court House City School District has completed an inventory of computer systems and other equipment necessary to conduct District operations and has identified such systems as being accounting, financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 18: YEAR 2000 ISSUE (Continued)

The District utilizes an external service organization for its accounting, financial reporting, payroll and employee benefits, and educational statistics reporting systems. The service organization uses the State of Ohio Uniform School Accounting System for its budgetary accounting system, the State of Ohio Uniform School Payroll System for its payroll and employee benefits, the School Asset Account System for its financial reporting system. These systems were developed and program change activities were performed by the State Software Development Team (SSDT) under agreement with the Ohio Department of Education. The State is responsible for remediating these systems.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Fayette County collects property taxes for distribution to the District. Fayette County is responsible for remediating its tax collection system.

To the best of management's knowledge and belief, as of January 27, 2000, the District experienced no significant interruption of mission-critical operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may yet arise and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NOTE 19: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	\$ -0-	\$ -0-	\$ 46,207
Required Set-Aside	\$ 165,327	\$ 165,327	\$ 82,664
Offset Credits	\$ (33,065)	\$ (50,000)	\$ -0-
Qualifying Expenditures	\$(132,262)	\$ -0-	\$ -0-
Balance, End of Year	\$ -0-	\$ 115,327	\$ 128,871
	Total set-aside amount		\$ 244,198 =====

Expenditures for textbook activity during the year totaled \$284,903 which exceeded the amount required for the set-aside.

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1999
(Continued)

NOTE 20: PRIOR PERIOD ADJUSTMENTS

The beginning fixed asset balance of the general fixed asset account group and the beginning fund balance of the food service enterprise fund have been adjusted to reflect a reappraisal and recording assets at replacement value:

	<u>Enterprise Fund</u>	<u>General Fixed Asset Account Group</u>
Beginning Fixed Asset Balance Previously stated, June 30, 1998	\$ 76,102	\$ 6,294,928
Prior Period Adjustment	\$ (7,271)	\$ (162,715)
As Restated, June 30 1998	\$ 68,831 =====	\$ 6,132,213 =====

The District's review of the trust agreements revealed that there were principal amounts in some trust agreements that could not be expended. As such, the June 30, 1998 balances of the Expendable Trust Funds, the Nonexpendable Trust Funds and the Agency Fund have been adjusted due to a reclassification of fund type as follows:

	<u>Expendable Trust Funds</u>	<u>Non-Expendable Trust Funds</u>	<u>Agency Funds</u>
Fund Balance Previously stated, June 30, 1998	\$145,130	\$ -0-	\$20,205
Prior Period Adjustment	\$ (80,438)	\$ 80,424	\$ 14
As Restated, June 30, 1998	\$ 64,692 =====	\$ 80,424 =====	\$20,219 =====

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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Distribution Program	04-PU-99	10.550	\$0	\$64,209	\$0	\$64,209
Child Nutrition Cluster:						
National School Breakfast Program	05-PU-98	10.553	3,511	----	3,511	----
	05-PU-99		24,426	----	24,426	----
Total National School Breakfast Program			27,937	0	27,937	0
National School Lunch Program	03-PU-98	10.555	6,768	----	6,768	----
	03-PU-99		38,372	----	38,372	----
	04-PU-98		18,926	----	18,926	----
	04-PU-99		125,551	----	125,551	----
Total National School Lunch Program			189,617	0	189,617	0
Total Child Nutrition Cluster			217,554	0	217,554	0
Total U.S. Department of Agriculture			217,554	64,209	217,554	64,209
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Education Consolidation and Improvement Act						
Title I - FY 98	CISI-98	84.010	115,000	----	156,175	----
Title I - FY 98 Carryover	CISI-98C	84.010	71,485	----	71,485	----
Title I - FY 99	CISI-99	84.010	344,145	----	227,907	----
Total Title I			530,630	0	455,567	0
Special Education Cluster:						
Special Education Grants to States						
Title VI B - FY 98	6B-SF-98	84.027	0	----	16,022	----
Title VI B - FY 99	6B-SF-98	84.027	101,808	----	72,101	----
Total Title VI B			101,808	0	88,123	0
Educational Handicapped Preschool						
Preschool Subsidy - FY 98	PG-SI-98	84.173	0	----	13,089	----
Preschool Subsidy - FY 99	PG-SI-98	84.173	17,745	----	10,724	----
Total Preschool Subsidy			17,745	0	23,813	0
Total Special Education Cluster			119,553	0	111,936	0
Education Consolidation and Improvement Act						
Title VI - FY 98	C2-S1-98	84.298	0	----	2,566	----
Title VI - FY 99	C2-S1-99	84.298	8,622	----	1,535	----
Title VI - FY 97 Carryover	C2-S1-97	84.298	0	----	2,770	----
Title VI - FY 98 Carryover	C2-S1-98	84.298	2,566	----	833	----
Total Title VI			11,188	0	7,704	0
Drug Free Schools						
Drug Free Education - Subsidy - FY 98	DR-S1-98	84.186	0	----	4,215	----
Drug Free Education - Subsidy - FY 99	DR-S1-99	84.186	11,994	----	8,563	----
Total Drug Free School Grants			11,994	0	12,778	0
Eisenhower Math & Science						
Math & Science Grant - FY 98	MS-S1-98	84.281	0	----	11,729	----
Math & Science Grant - FY 99	MS-S1-99	84.281	13,806	----	1,467	----
Math & Science Grant - FY 97 CO	MS-S1-97	84.281	0	----	100	----
Math & Science Grant - FY 98 CO	MS-S1-98	84.281	9,407	----	1,610	----
Total Math & Science Grants			23,213	0	14,906	0
Additional Programs:						
Direct:						
Telecomm (E-rate)		84.000	5,910	----	----	----
Total Department of Education			702,488	0	602,891	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$920,042	\$64,209	\$820,445	\$64,209

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the general-purpose financial statements of the Washington Court House City School District, Fayette County, Ohio (the District), as of and for the fiscal year ended June 30, 1999, and have issued our report thereon dated January 27, 2000 which was qualified due to the inability to obtain adequate supporting documentation supporting the District's fixed assets. Except as discussed in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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 are described in the accompanying schedule of findings as item 1999-10624-001.

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 1999-10624-001 through 1999-10624-002.

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, of the reportable conditions described above, we consider the following item 1999-10624-002 to be a material weakness.

We noted other matters involving the internal controls 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 27, 2000.

This report is intended for the information and use of the Board of Education, management 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 27, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Washington Court House City School District, Fayette County, Ohio, (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 1999. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about 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 fiscal year ended June 30, 1999.

Internal Control Over Compliance

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

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

This report is intended for the information and use of the Board of Education, management, 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 27, 2000

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999**

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

<p>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</p>

FINDING NUMBER 1999-10624-001

Ohio Rev. Code, Section 5705.412, states no school district is supposed to adopt any appropriation, make any contract, give any order to expend money or increase salary schedules during the school year without attaching a "412" certificate. The certificate should be signed by the treasurer, board president and the superintendent.

During the fiscal year, the District did not prepare and file 412 certificates for its appropriations, salary contracts and contracts. Failure to submit a 412 certificate to the County Auditor could result in not receiving property taxes or other payments under Ohio Revised Code Chapter 3317.

We recommend the District prepare "412" certificates as required by the Ohio Revised Code. The District did prepare 412 Certificates after the fiscal year end during the course of the audit.

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 1999
(Continued)

FINDING NUMBER 1999-10624-002

Fixed Asset Policy

The District has not adopted a formal policy for the accounting of fixed assets. Failure to adopt a uniform fixed asset policy resulted in inconsistent and/or incorrect application of the current practices utilized for the reporting of fixed assets.

It is recommended that the District compile and adopt a policy for fixed assets containing the details of the manner employed in the accounting and reporting of fixed assets and which supports management's assertions as presented in the notes to the financial statements.

Fixed Asset Inventory

During the fiscal year, the District contracted with Valuation Engineers to update the inventory for insurance purposes. The detailed report received by the District reflected replacement value instead of historical cost value. The replacement value for the District's fixed assets was accounted for in the General Asset Account Group on the financial statements. In addition, we noted that not all of the District's fixed assets purchased during the fiscal year were included in the inventory records and the cost of the new purchases did not agree to supporting documentation. As a result, fixed assets may be over or under stated on the financial statements. Failure to address these issues will continue to increase the difficulty in reconstruction of prior records, create the potential for inaccurate accounting of current and future assets, and cause improper reporting of all fixed assets in the financial statements. To increase accountability over District inventory, it is recommended that the District update their inventory records continuously throughout the year. Also, the District should adopt a fixed assets tracking and valuation system. This system should provide supporting documentation on each fixed asset. Such information should include, but not limited to the following:

- Acquisition date and cost of the asset at the time of purchase;
- Location and description of the asset;
- Model and/or serial number of the assets;
- Inventory control number/tag for each asset;
- Fund, purchase order, and check number to which the asset is charged;
- Annual depreciation expense;
- Accumulated depreciation to date;
- Useful life of the asset; and
- Disposition value for assets if sold, traded, written out of service, or transferred between funds.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

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WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 22, 2000**