



**WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**SINGLE AUDIT**

**FOR FISCAL YEAR ENDED JUNE 30, 2001**



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

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**STATE OF OHIO**



**WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Report of Independent Accountants .....	1
General Purpose Financial Statements	
Combined Balance Sheet - All Fund Types and Account Groups .....	3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	5
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual All Governmental Fund Types .....	6
Combined Statement of Revenues, Expenses and Changes in Retained Earnings All Proprietary Fund Types .....	7
Combined Statement of Cash Flows - All Proprietary Fund Types .....	9
Notes to the General Purpose Financial Statements .....	11
Schedule of Federal Awards Receipts and Expenditures .....	35
Notes to the Schedule of Federal Awards Receipts and Expenditures .....	36
Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	37
Report on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control over Compliance in Accordance with OMB Circular A-133 .....	39
Schedule of Findings .....	41
Schedule of Prior Audit Findings .....	43

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## REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education  
Westerville City School District  
Franklin County  
336 South Otterbein Avenue  
Westerville, Ohio 43081

We have audited the accompanying general purpose financial statements of the Westerville City School District, Franklin 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 Westerville City School District, Franklin 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.

As described in Note 2 to the general purpose financial statements, the District adopted *Governmental Accounting Standards Board Statements 33 and 36* as of and for the year ended June 30, 2001.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2001 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

December 17, 2001

**Westerville City School District  
Combined Balance Sheet  
All Fund Types and Account Groups  
As of June 30, 2001**

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Expendable Trust & Agency	General Fixed Assets	General Long- Term Obligations	(Memorandum Only)
<b>ASSETS</b>										
Cash and investments	\$ 23,291,776	\$ 1,253,070	\$ 7,144,043	\$ 99,932,524	\$ 510,367	\$ 1,999,455	\$ 294,074	\$ -	\$ -	\$ 134,425,309
Restricted cash and investments	2,504,749	-	-	-	-	-	-	-	-	2,504,749
Property taxes receivable	50,779,099	-	8,767,959	3,715,312	-	-	-	-	-	63,262,370
Other receivables	24,934	1,546	-	-	3,398	9,349	690	-	-	39,917
Due from other:										
Governments	-	31,711	-	-	46,216	-	-	-	-	77,927
Funds	25,532	-	-	-	-	101,977	-	-	-	127,509
Prepays	140,680	-	-	-	-	-	-	-	-	140,680
Inventories	58,949	-	-	-	26,869	-	-	-	-	85,818
Property, plant and equipment (net, where applicable)	-	-	-	-	401,846	-	-	83,331,788	-	83,733,634
Amount available in debt service fund	-	-	-	-	-	-	-	-	7,435,092	7,435,092
Amount to be provided for retirement of general long-term obligations	-	-	-	-	-	-	-	-	141,929,793	141,929,793
<b>Total assets</b>	<b>\$ 76,825,719</b>	<b>\$ 1,286,327</b>	<b>\$ 15,912,002</b>	<b>\$ 103,647,836</b>	<b>\$ 988,696</b>	<b>\$ 2,110,781</b>	<b>\$ 294,764</b>	<b>\$ 83,331,788</b>	<b>\$ 149,364,885</b>	<b>\$ 433,762,798</b>
<b>LIABILITIES</b>										
Accounts payable	\$ 1,268,989	\$ 169,452	\$ -	\$ 802,123	\$ 351	\$ 172	\$ 12,362	\$ -	\$ -	\$ 2,253,449
Due to other:										
Governments	323,919	-	58,552	24,650	-	-	-	-	-	407,121
Funds	98,017	26,955	-	-	2,537	-	-	-	-	127,509
Other	-	27,342	-	-	-	-	271,824	-	-	299,166
Deferred revenue	48,976,945	-	8,418,358	3,646,333	2,595	-	-	-	-	61,044,231
Accrued liabilities	10,422,402	166,115	-	-	314,432	1,288,539	-	-	9,190,398	21,381,886
General obligation bonds payable	-	-	-	-	-	-	-	-	140,174,487	140,174,487
<b>Total liabilities</b>	<b>61,090,272</b>	<b>389,864</b>	<b>8,476,910</b>	<b>4,473,106</b>	<b>319,915</b>	<b>1,288,711</b>	<b>284,186</b>	<b>-</b>	<b>149,364,885</b>	<b>225,687,849</b>
<b>EQUITY AND OTHER CREDITS</b>										
Investment in general fixed assets	-	-	-	-	-	-	-	83,331,788	-	83,331,788
Contributed capital	-	-	-	-	210,212	-	-	-	-	210,212
Retained earnings	-	-	-	-	458,569	822,070	-	-	-	1,280,639
Fund balances (deficit):										
Reserved for encumbrances	938,684	166,398	-	7,614,138	-	-	-	-	-	8,719,220
Reserved for budgetary stabilization	2,504,749	-	-	-	-	-	-	-	-	2,504,749
Reserved for prepaids	140,680	-	-	-	-	-	-	-	-	140,680
Reserved for inventories	58,949	-	-	-	-	-	-	-	-	58,949
Reserved for future years' appropriations	1,884,166	-	349,601	134,424	-	-	-	-	-	2,368,191
Unreserved	10,208,219	730,065	7,085,491	91,426,168	-	-	10,578	-	-	109,460,521
Total retained earnings/fund balances	15,735,447	896,463	7,435,092	99,174,730	458,569	822,070	10,578	-	-	124,532,949
<b>Total Equity and Other Credits</b>	<b>15,735,447</b>	<b>896,463</b>	<b>7,435,092</b>	<b>99,174,730</b>	<b>668,781</b>	<b>822,070</b>	<b>10,578</b>	<b>83,331,788</b>	<b>-</b>	<b>208,074,949</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 76,825,719</b>	<b>\$ 1,286,327</b>	<b>\$ 15,912,002</b>	<b>\$ 103,647,836</b>	<b>\$ 988,696</b>	<b>\$ 2,110,781</b>	<b>\$ 294,764</b>	<b>\$ 83,331,788</b>	<b>\$ 149,364,885</b>	<b>\$ 433,762,798</b>

See accompanying notes to the general purpose financial statements

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**Westerville City School District**  
**Combined Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Fund**  
**For the Year Ended June 30, 2001**

	Governmental Fund Types				Expendable Trust	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects		
<b>Revenues</b>						
Property taxes	\$ 44,484,891	\$ -	\$ 6,640,644	\$ 3,253,851	\$ -	\$ 54,379,386
State sources	34,232,002	1,257,655	711,721	871,762	-	37,073,140
Federal sources	-	1,747,645	-	-	-	1,747,645
Investment income	2,718,706	10,141	-	1,177,409	-	3,906,256
Tuition	446,027	-	-	-	-	446,027
Extra-curricular	-	1,120,434	-	-	-	1,120,434
Other local sources	332,157	-	-	-	2,895	335,052
Miscellaneous sources	647,341	117,299	5,997	-	-	770,637
Total Revenues	<u>82,861,124</u>	<u>4,253,174</u>	<u>7,358,362</u>	<u>5,303,022</u>	<u>2,895</u>	<u>99,778,577</u>
<b>Expenditures</b>						
Current :						
Instructional services:						
Regular	46,931,935	684,492	-	-	-	47,616,427
Special	7,963,934	412,105	-	-	-	8,376,039
Vocational	1,833,039	121,693	-	-	-	1,954,732
Continuing	980	-	-	-	-	980
Other	945,198	-	-	-	-	945,198
Total Instructional Services	<u>57,675,086</u>	<u>1,218,290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,893,376</u>
Support services:						
Pupils	3,762,584	450,684	-	-	-	4,213,268
Staff	2,609,462	884,411	-	-	-	3,493,873
General administration	1,363,605	-	-	-	-	1,363,605
School administration	6,348,191	157,109	-	-	-	6,505,300
Fiscal administration	1,461,293	-	133,882	-	-	1,595,175
Business operations	1,195,663	-	-	-	-	1,195,663
Operation & maintenance	8,982,448	21,038	-	-	-	9,003,486
Student transportation	4,613,886	11,541	-	-	-	4,625,427
Central services	1,139,931	82,778	-	-	-	1,222,709
Community services	316	624,634	-	-	-	624,950
Extra-curricular academic	62,066	179,315	-	-	5,327	246,708
Extra-curricular occupational	-	20,758	-	-	-	20,758
Extra-curricular sport	674,988	533,890	-	-	-	1,208,878
Extra-curricular civic	263,028	147,182	-	-	-	410,210
Total Support Services	<u>32,477,462</u>	<u>3,113,340</u>	<u>133,882</u>	<u>-</u>	<u>5,327</u>	<u>35,730,010</u>
Capital outlay	198,020	3,000	-	9,594,642	-	9,795,662
Debt service:						
Principal retirement	-	-	2,410,000	-	-	2,410,000
Interest	-	-	2,584,128	-	-	2,584,128
Total Expenditures	<u>90,350,568</u>	<u>4,334,630</u>	<u>5,128,010</u>	<u>9,594,642</u>	<u>5,327</u>	<u>109,413,176</u>
Excess (deficiency) of revenues over expenditures	(7,489,444)	(81,456)	2,230,352	(4,291,620)	(2,432)	(9,634,599)
Other financing sources (uses):						
Proceeds from general obligations and premiums	-	-	183,914	99,534,660	-	99,718,574
Proceeds on sale of assets	1,083	-	-	-	-	1,083
Operating transfers in	-	36,000	-	-	-	36,000
Operating transfers out	(36,000)	-	-	-	-	(36,000)
Total other financing sources (uses)	<u>(34,917)</u>	<u>36,000</u>	<u>183,914</u>	<u>99,534,660</u>	<u>-</u>	<u>99,719,657</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(7,524,361)	(45,456)	2,414,266	95,243,040	(2,432)	90,085,058
Fund balances at beginning of year	23,259,808	941,919	5,020,826	3,931,690	13,010	33,167,253
Fund balances at end of year	<u>\$ 15,735,447</u>	<u>\$ 896,463</u>	<u>\$ 7,435,092</u>	<u>\$ 99,174,730</u>	<u>\$ 10,578</u>	<u>\$ 123,252,311</u>

See accompanying notes to the general purpose financial statements

**Westerville City School District**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual -**  
**All Governmental Fund Types - Budget Basis**  
**For the Year Ended June 30, 2001**

	General			Special Revenue			Debt Service			Capital Projects		
	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)	Revised budget	Actual	Variance favorable (unfavorable)
<b>Revenues</b>												
Taxes	\$ 52,397,945	\$ 54,437,797	\$ 2,039,852	\$ -	\$ -	\$ -	\$ 6,182,624	\$ 6,979,265	\$ 796,641	\$ 3,865,519	\$ 4,027,928	\$ 162,409
Tuition	380,500	408,789	28,289	-	-	-	-	-	-	-	-	-
Investment income	2,638,800	2,718,706	79,906	10,750	10,141	(609)	-	-	-	1,120,000	1,177,409	57,409
Extracurricular	-	-	-	1,238,582	1,120,434	(118,148)	-	-	-	-	-	-
Classroom material fees	335,000	328,274	(6,726)	-	-	-	-	-	-	-	-	-
Miscellaneous receipts	375,000	370,401	(4,599)	221,229	155,629	(65,600)	-	5,997	5,997	-	-	-
State sources	34,233,502	34,232,001	(1,501)	1,188,531	1,191,528	2,997	665,644	711,721	46,077	386,904	505,146	118,242
Federal sources	-	-	-	2,022,075	1,762,620	(259,455)	-	-	-	-	-	-
<b>Total Revenue</b>	<b>\$ 90,360,747</b>	<b>\$ 92,495,968</b>	<b>\$ 2,135,221</b>	<b>\$ 4,681,167</b>	<b>\$ 4,240,352</b>	<b>\$ (440,815)</b>	<b>\$ 6,848,268</b>	<b>\$ 7,696,983</b>	<b>\$ 848,715</b>	<b>\$ 5,372,423</b>	<b>\$ 5,710,483</b>	<b>\$ 338,060</b>
<b>Expenditures</b>												
Salaries and Wages	62,777,921	60,872,737	1,905,184	1,124,124	942,419	181,705	-	-	-	-	-	-
Retirement and Insurance Benefits	15,744,958	15,389,595	355,363	236,409	209,234	27,175	-	-	-	-	-	-
Purchased Services	8,604,511	9,234,336	(629,825)	1,758,141	1,338,797	419,344	-	-	-	11,680,556	9,908,319	1,772,237
Supplies and Materials	3,398,898	3,337,936	60,962	915,019	673,662	241,357	-	-	-	225,500	236,341	(10,841)
Capital Outlay	927,117	1,026,609	(99,492)	655,261	551,073	104,188	-	-	-	92,360,890	6,598,603	85,762,287
Other	2,278,008	2,216,522	61,486	686,793	519,283	167,510	13,904,128	13,887,386	16,742	59,594	58,098	1,496
<b>Total Expenditures</b>	<b>\$ 93,731,413</b>	<b>\$ 92,077,735</b>	<b>\$ 1,653,678</b>	<b>\$ 5,375,747</b>	<b>\$ 4,234,468</b>	<b>\$ 1,141,279</b>	<b>\$ 13,904,128</b>	<b>\$ 13,887,386</b>	<b>\$ 16,742</b>	<b>\$ 104,326,540</b>	<b>\$ 16,801,361</b>	<b>\$ 87,525,179</b>
Excess (deficiency) of revenues over expenditures, carried forward	(3,370,666)	418,233	3,788,899	(694,580)	5,884	700,464	(7,055,860)	(6,190,403)	865,457	(98,954,117)	(11,090,878)	87,863,239
<b>Other financing sources/uses</b>												
Other financing sources:												
Proceeds from general obligations and premiums	-	-	-	-	-	-	8,983,914	8,983,914	-	99,534,660	99,534,660	-
Proceeds on sale of assets	9,000	1,083	(7,917)	-	-	-	-	-	-	-	-	-
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-
Advances in	90,000	9,497	(80,503)	1,950	25,532	23,582	-	-	-	-	-	-
Refund of prior year expenditures	290,000	290,144	144	1,419	1,419	-	-	-	-	-	-	-
Other financing uses:												
Advances out	(90,000)	(25,532)	64,468	(9,499)	(9,497)	2	-	-	-	-	-	-
Refund of prior year receipts	-	-	-	(4,222)	(4,221)	1	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>299,000</b>	<b>275,192</b>	<b>(23,808)</b>	<b>(10,352)</b>	<b>13,233</b>	<b>23,584</b>	<b>8,983,914</b>	<b>8,983,914</b>	<b>-</b>	<b>99,534,660</b>	<b>99,534,660</b>	<b>-</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(3,071,666)	693,425	3,765,091	(704,932)	19,117	724,049	1,928,054	2,793,511	865,457	580,543	88,443,782	87,863,239
Beginning fund balance	21,508,693	21,508,693	-	841,296	841,296	-	4,350,532	4,350,532	-	2,932,736	2,932,736	-
Lapsed encumbrances	1,386,734	1,386,734	-	56,837	56,837	-	-	-	-	139,765	139,765	-
Ending fund balance	<b>\$ 19,823,761</b>	<b>\$ 23,588,852</b>	<b>\$ 3,765,091</b>	<b>\$ 193,201</b>	<b>\$ 917,250</b>	<b>\$ 724,049</b>	<b>\$ 6,278,586</b>	<b>\$ 7,144,043</b>	<b>\$ 865,457</b>	<b>\$ 3,653,044</b>	<b>\$ 91,516,283</b>	<b>\$ 87,863,239</b>

See accompanying notes to the general purpose financial statements

(Continued)

**Westerville City School District**  
**Combined Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual -**  
**All Governmental Fund Types - Budget Basis - continued**  
**For the Year Ended June 30, 2001**

	Total (Memorandum only)		
	Revised budget	Actual	Variance favorable (unfavorable)
<b>Revenue</b>			
Taxes	\$ 62,446,088	\$ 65,444,990	\$ 2,998,902
Tuition	380,500	408,789	28,289
Investment income	3,769,550	3,906,256	136,706
Extracurricular	1,238,582	1,120,434	(118,148)
Classroom material fees	335,000	328,274	(6,726)
Miscellaneous receipts	596,229	532,027	(64,202)
State sources	36,474,581	36,640,396	165,815
Federal sources	2,022,075	1,762,620	(259,455)
<b>Total Revenue</b>	<b>\$ 107,262,605</b>	<b>\$ 110,143,786</b>	<b>\$ 2,881,181</b>
<b>Expenditures</b>			
Salaries and Wages	63,902,045	61,815,156	2,086,889
Retirement and Insurance Benefits	15,981,367	15,598,829	382,538
Purchased Services	22,043,208	20,481,452	1,561,756
Supplies and Materials	4,539,417	4,247,939	291,478
Capital Outlay	93,943,268	8,176,285	85,766,983
Other	16,928,523	16,681,289	247,234
<b>Total Expenditures</b>	<b>217,337,828</b>	<b>127,000,950</b>	<b>90,336,878</b>
Excess (deficiency) of revenues over expenditures, carried forward	(110,075,223)	(16,857,164)	93,218,059
<b>Other financing sources/uses</b>			
Other financing sources:			
Proceeds from general obligations and premiums	108,518,574	108,518,574	-
Proceeds on sale of assets	9,000	1,083	(7,917)
Other revenue	-	-	-
Advances in	91,950	35,029	(56,921)
Refund of prior year expenditures	291,419	291,563	144
Other financing uses:			
Advances out	(99,499)	(35,029)	64,470
Refund of prior year receipts	(4,222)	(4,221)	(1)
<b>Total other financing sources (uses)</b>	<b>108,807,222</b>	<b>108,806,999</b>	<b>(223)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,268,001)	91,949,835	93,217,836
Beginning fund balance	29,633,257	29,633,257	-
Lapsed encumbrances	1,583,336	1,583,336	-
Ending fund balance	<u>29,948,592</u>	<u>123,166,428</u>	<u>93,217,836</u>

See accompanying notes to the general purpose financial statements

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**Westerville City School District**  
**Combined Statement of Revenues, Expenses and Changes**  
**in Retained Earnings -- All Proprietary Fund Types**  
**Year ended June 30, 2001**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum only)</u>
Operating revenues:			
Charges for services	\$ -	\$ 6,457,595	\$ 6,457,595
Food service sales	2,693,775	-	2,693,775
Class material fees	158,273	-	158,273
Other	<u>3,507</u>	<u>-</u>	<u>3,507</u>
Total operating revenues	<u>2,855,555</u>	<u>6,457,595</u>	<u>9,313,150</u>
Operating expenses:			
Claims	-	7,620,135	7,620,135
Personal services	1,548,295	-	1,548,295
Purchased services	27,305	497,640	524,945
Materials and supplies	1,583,932	-	1,583,932
Depreciation	48,606	-	48,606
Other	<u>8,200</u>	<u>-</u>	<u>8,200</u>
Total operating expenses	<u>3,216,338</u>	<u>8,117,775</u>	<u>11,334,113</u>
Operating loss	<u>(360,783)</u>	<u>(1,660,180)</u>	<u>(2,020,963)</u>
Non-operating revenues:			
Grants:			
State sources	13,981	-	13,981
Federal sources	353,832	-	353,832
Investment income	<u>28,938</u>	<u>118,350</u>	<u>147,288</u>
Total Non-operating revenues	<u>396,751</u>	<u>118,350</u>	<u>515,101</u>
Net income (loss)	35,968	(1,541,830)	(1,505,862)
Addback of depreciation on fixed assets acquired with contributed capital	<u>35,138</u>	<u>-</u>	<u>35,138</u>
Increase (Decrease) in retained earnings	71,106	(1,541,830)	(1,470,724)
Retained earnings at beginning of year	<u>387,463</u>	<u>2,363,900</u>	<u>2,751,363</u>
Retained earnings at end of year	<u><u>\$ 458,569</u></u>	<u><u>\$ 822,070</u></u>	<u><u>\$ 1,280,639</u></u>

See accompanying notes to the general purpose financial statements.

**Westerville City School District**  
**Combined Statement of Cash Flows-All Proprietary Fund Types**  
**Year Ended June 30, 2001**

	Enterprise	Internal Service	Total (Memorandum only)
Cash flows from operating activities:			
Operating loss	\$ (360,783)	(1,660,180)	\$ (2,020,963)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	\$48,606	-	\$48,606
Donated commodities	43,126	-	43,126
Decrease (Increase) in receivables	(625)	56,513	55,888
Decrease in due from other funds	-	632,482	632,482
Decrease in inventory	4,362	-	4,362
Increase (Decrease) in payables	(6,586)	(49,996)	(56,582)
(Decrease) in due to other funds	(8,983)	-	(8,983)
(Decrease) in deferred revenue	(1,335)	-	(1,335)
Increase in accrued liabilities	29,805	151,290	181,095
Net adjustment	108,370	790,289	898,659
Net cash used by operating activities	(252,413)	(869,891)	(1,122,304)
Cash flows from noncapital financing activities:			
State sources	13,981	-	13,981
Federal sources	309,871	-	309,871
Net cash provided by noncapital financing activities	323,852	-	323,852
Cash flows from capital and relating financing activities:			
Acquisition of capital assets	(19,720)	-	(19,720)
Cash flows from investing activities:			
Investment income	28,938	118,350	147,288
Net increase (decrease) in cash and cash equivalents	80,657	(751,541)	(670,884)
Cash and cash equivalents at beginning of year	429,710	2,750,996	3,180,706
Cash and cash equivalents at end of year	\$510,367	1,999,455	\$2,509,822
<u>Supplemental Information:</u>			
Noncash activities			
Donated commodities	\$43,126	-	\$43,126
Loss on disposal of assets	\$0	-	\$0

See accompanying notes to the general purpose financial statements

# WESTERVILLE CITY SCHOOL DISTRICT

## Notes to the General Purpose Financial Statements

June 30, 2001

### **(1) DESCRIPTION OF THE SCHOOL DISTRICT**

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

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### ***(a) The Reporting Entity***

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

#### ***(b) Fund Accounting***

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to the Financial Statements, Continued

**Governmental Funds**

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

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

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

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

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

**Proprietary Funds**

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

Enterprise Funds—Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where revenues earned, expenses incurred, and/or net income is appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

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

**Fiduciary Funds**

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to the Financial Statements, Continued

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

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

**Account Groups**

General Fixed Assets Account Group—This group of accounts is established to account for all fixed assets of the School District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group—This group of accounts is established to account for all long-term obligations of the School District except those accounted for in the Proprietary Funds.

**(c) Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases (i.e., revenues and other financing sources and expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to the Financial Statements, Continued

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

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

**(d) Budgets**

The School District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for the fiscal year 2001 was as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Franklin County Budget Commission for a tax rate determination.
3. Prior to March 15, the Board of Education accepts by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources (the Certificate) which states the projected revenue for each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the School District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final amended Certificate issued for fiscal 2001.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund and object level of expenditures for the General fund and at the fund level for all other funds, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation or alter object appropriations within the fund must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds and functions completed the year within the amount of their legally authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated, decrease or increased the originally appropriated amounts. All supplemental appropriations were legally adopted by the Board during fiscal 2001 in the following amounts:

<u>Fund</u>	<u>Original appropriation</u>	<u>Revisions</u>	<u>Revised appropriation</u>
General	92,787,077	1,034,336	93,821,413
Special revenue	3,701,000	1,686,517	5,387,517
Debt service	4,785,128	9,119,000	13,904,128
Capital projects	5,228,325	99,098,215	104,326,540
Enterprise	3,204,337	121,724	3,326,061
Internal service	6,500,000	2,335,000	8,835,000
Trust & Agency	550,000	71,449	621,449

The School District did not exceed budget at the object level for any fund except as follows: General Fund, Purchased Services and Capital Outlay objects and Capital Projects Fund, Supplies and Materials object. The School District did not exceed budget at the fund level for any fund except as follows: Special Trust Fund and the Other Local Grants Fund.

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

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

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

**(e) Cash and Investments**

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

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

**(f) Inventories**

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(g) *Fixed Assets and Depreciation***

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

Proprietary Funds—Property, plant and equipment reflected in proprietary funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated and contributed fixed assets are recorded at their fair market values as of the date received. The School District follows the policy of not capitalizing assets with a cost of less than \$500 and a useful life of less than 2 years. Depreciation has been provided, where appropriate, on a straight-line basis over the estimated useful lives ranging from 5 to 20 years for equipment. Depreciation expense on assets acquired through contributions is recorded as a reduction of contributed capital. For fiscal 2001, there were no capitalized interest costs incurred in the Proprietary Funds.

**(h) *Intergovernmental Revenues***

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

**(i) *Compensated Absences***

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

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(j) Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the General Long-Term Obligation Account Group.

**(k) Fund Equity**

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

**(l) Interfund Transactions**

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

**(m) Statement of Cash Flows**

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

**(n) Memorandum Only—Total Columns**

Total columns on the general purpose financial statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with GAAP. Such data is not comparable to a consolidation since interfund eliminations have not been made.

**(o) New Accounting Pronouncements**

In December 1998, the GASB issued Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions". This statement requires the recognition of nonexchange transactions in the financial statements unless the transactions are not measurable (reasonably estimable) or are not probable of collection. For fiscal year 2001, the School District has implemented GASB Statement No. 33. The Special Revenue beginning fund balance at July 1, 2000 was restated from \$459,467 to \$941,919.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

**(3) CASH AND INVESTMENTS**

*(a) Cash*

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

STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the Securities Exchange Commission as an investment company, but does operate in a manner similar to Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price which is the price the investment could be sold for on June 30, 2001.

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

During 2001, the School District complied with the provision of these statutes.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(b) Deposits with financial institutions**

At year-end, the School District carried account balances at three banks. The carrying amount of all School District deposits was \$4,629,271, including \$8,000,000 in non-negotiable certificates of deposit. The School District maintains an overnight repurchase agreement that invests all available funds at the end of each day. This repurchase agreement is reported as an investment. The total balance at these banks was \$37,755 of which \$37,755 was covered by FDIC insurance.

**(c) Investments**

The School District's investments are categorized to give an indication of the level of risk assumed by the School District. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent. The investment in STAROhio is not required to be categorized due to its nature.

<u>Type of investment</u>	<u>1</u>	<u>Category</u> <u>2</u>	<u>3</u>	<u>Carrying/ fair value</u>
Treasury notes	-	-	-	
Federal agency notes	-	13,885,262	-	13,885,262
Commercial paper	-	-	-	
Banker's acceptance	-	-	-	
Repurchase agreement	-	-	\$1,972,241	1,972,241
Subtotal	<u>-</u>	<u>\$13,885,262</u>	<u>\$1,972,241</u>	15,857,503
STAROhio				<u>116,443,284</u>
Total investments				\$132,300,787
Carrying amount of deposits				<u>4,629,271</u>
Total cash/investments				<u>\$136,930,058</u>

**(4) PROPERTY TAXES**

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

Real property and tangible personal property taxes collected during fiscal year 2001 had a lien and levy date of January 1, 2000.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

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

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

The assessed values for collection in 2001, upon which the 2000 levies were based, were as follows:

Agricultural/Residential Real Estate	\$1,259,649,970
Commercial/Industrial Real Estate	365,085,990
Public Utility Tangible Property	64,511,420
General Tangible Property	<u>117,792,551</u>
Total	<u>\$1,807,039,931</u>

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

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

Property taxes receivable represents real property, personal property, and public utility taxes which are measurable but not available as of June 30, 2001 and therefore, are recorded as deferred revenue, except for moneys available as an advance to the School District as of June 30, 2001 which are recognized as revenue as they are both measurable and available.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(5) RECEIVABLES/DUE FROM OTHER GOVERNMENTS**

Receivables and due from other governments at June 30, 2001 consisted of accounts and other principally intergovernmental grants and entitlements. A summary of the principal items are as follows:

<u>Fund</u>	<u>Grants</u>	<u>Other</u>	<u>Total</u>
General	\$ -	24,934	\$ 24,934
Special revenue	31,711	1,546	33,257
Enterprise	46,216	3,398	49,614
Internal service	-	9,349	9,349
Expendable Trust & Agency	-	690	690
Total	<u>\$ 77,927</u>	<u>39,917</u>	<u>\$ 117,844</u>

**(6) INTERFUND RECEIVABLES AND PAYABLES**

Interfund balances at June 30, 2001 consist of the following individual fund receivables and payables:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$25,532	98,017
Special revenue—		
Local Grants	-	2,741
Title I Grants	-	238
Title VI-R Grants	-	237
Title VI-B Grants	-	497
Safe and Drug-Free Schools	-	8
Miscellaneous Federal Grants	-	22,791
Auxiliary Services	-	345
Alternative Schools Grant	-	98
Special revenue subtotal	-	26,955
Enterprise - Food Service	-	2,537
Internal Service	101,977	-
	<u>\$127,509</u>	<u>\$127,509</u>

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(7) PROPERTY, PLANT AND EQUIPMENT**

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

	Balance <u>June 30, 2000</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2001</u>
Land/improvements	\$3,687,537	2,129,772	-	\$5,817,309
Buildings	52,260,597	1,522,566	-	53,783,163
Furniture/equipment	14,313,407	3,794,948	-	18,108,355
Buses	4,675,413	607,729	136,742	5,146,400
Vehicles	447,524	29,037	-	476,561
	<u>\$75,384,478</u>	<u>8,084,052</u>	<u>136,742</u>	<u>\$83,331,788</u>

A summary of the proprietary fund property, plant and equipment at June 30, 2001 follows:

Furniture and equipment	\$1,162,407
Less accumulated depreciation	<u>(760,562)</u>
Net fixed assets	<u>\$401,845</u>

**(8) GENERAL LONG-TERM OBLIGATIONS**

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

<u>Purpose</u>	<u>Date Issued</u>	<u>Interest Rate (1)</u>	<u>Final Maturity</u>	<u>Original Amount</u>	<u>Balance at June 30, 2001</u>
Public library (2)	09/01/79	6.00%	12/01/02	1,450,000	\$120,000
Construction and improvements (3)	02/01/87	6.25%	12/01/10	37,000,000	16,100,000
Public library (4)	09/15/95	5.69%	12/01/18	6,899,981	5,599,981
Construction and improvements (5)	08/01/96	5.74%	12/01/22	19,984,875	18,819,874
Construction and improvements (6)	03/15/01	5.00%	12/01/27	99,534,632	99,534,632
					<u>\$140,174,487</u>

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

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

<u>Year ending June 30.</u>	<u>Interest rates</u>	<u>Principal</u>	<u>Interest</u>
2002	3.70—6.25	\$ 2,328,533	\$ 8,115,315
2003	3.70—6.25	5,661,010	7,244,563
2004	3.70—6.25	4,222,469	7,067,858
2005	3.70—6.25	4,437,844	6,743,157
2006	3.70—6.25	4,895,000	6,179,840
2007 and thereafter	3.70—6.25	118,629,631	72,583,969
Total		\$ 140,174,487	\$ 107,934,702

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

The total voted and non-voted non-exempt debt of the School District that could be issued subject to the 9% limitation described above is \$162,633,594. The total School District debt (including the Bonds) subject to this limitation is \$140,174,487. The total School District unvoted debt that could be issued subject to the 1/10 of 1% limitation is \$1,711,176. The School District has no debt subject to such limitation, leaving \$1,807,040 available for unvoted debt. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$22,459,107 and an unvoted debt margin of \$1,807,040.

The aggregate amount of the School District's unvoted debt is also subject to overlapping debt restrictions with the Westerville Public Library (the Library). As of June 30, 2001, the School District and the Library have complied with the requirement that unvoted overlapping debt must not exceed 1% (10 mills) of the assessed property value.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

	<u>Balance</u> <u>June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Accrued liabilities:				
Accrued vacation and sick leave	\$7,314,570	1,344,318	-	\$8,658,888
Pension obligations	521,714	531,510	521,714	531,510
Subtotal	7,836,284	1,875,828	521,714	9,190,398
General obligation bonds payable	43,049,855	99,534,632	2,410,000	140,174,487
	\$50,886,139	101,410,460	2,931,714	\$149,364,885

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

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

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

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

**(9) SET ASIDE CALCULATIONS AND FUND RESERVES**

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

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

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

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, July 1, 2000	\$ –	–	1,777,102
Required Set-Aside	2,012,531	2,012,531	727,647
Qualifying Expenditures	(2,760,117)	(3,804,474)	–
Total	\$(747,586)	(1,791,943)	2,504,749
Balance Carried Forward at June 30, 2001	–	–	2,504,749

**(10) EMPLOYEE RETIREMENT SYSTEMS**

**(a) *School Employees Retirement System***

Plan Description—All noncertified School District employees participate in the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to SERS, 300 East Broad Street, Columbus, Ohio 43215 or by calling (614) 222-5853.

Funding Policy—Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% for employers of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5% was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The contribution requirements for the years ended June 30, 2001, 2000, and 1999 from the School District were \$1,600,464, \$1,519,195, and \$1,459,136, respectively, equal to the required contributions for each year. \$841,956 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(b) State Teachers Retirement System**

Plan Description and Provisions—The School District contributes to the State Retirement System of Ohio (STRS, a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement and disability benefits, annual cost-of living adjustment, and death and survivor benefits to members and beneficiaries. Benefits are established 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 for STRS. That report may be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3% of their annual covered salaries. The School District was required to contribute 14%; 9.5% was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligation was 6 percent. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contribution requirement for the years ended June 30, 2001, 2000, and 1999 was \$7,214,484, \$6,799,246, and \$6,334,760, respectively, equal to the required contributions for each year. \$1,264,579 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**(11) POSTEMPLOYMENT BENEFITS**

**(a) SERS**

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2001, the allocation rate is 9.80%, an increase of 1.3% from fiscal year 2000. 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 2001, the minimum pay has been established as \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$156,845.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

The surcharge rate, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. 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 \$140,696,340 and the target level was \$211 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits was \$252.3 million. SERS has ~ 50,000 participants receiving health care benefits.

**(b) STRS Ohio**

STRS Ohio provides comprehensive health care benefits to retired teachers and their dependents. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, the State Teachers Retirement Board (the Board) has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the costs of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve fund. For the School District, this amount equaled \$324,652 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

**(12) CONTINGENCIES**

**(a) Grants**

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

**(b) Litigation**

At June 30, 2001, there were several lawsuits pending against the School District. In the opinion of management, no material liability is expected to arise from the current pending lawsuits.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(13) SEGMENTS OF ENTERPRISE ACTIVITIES**

Key financial data for the School District's enterprise funds for the year ended June 30, 2001 are as follows:

	<u>Food Service</u>	<u>Uniform Supplies</u>	<u>Total</u>
Operating revenues	\$2,697,282	158,273	2,855,555
Operating expenses	3,005,461	162,271	3,167,732
Depreciation expense	48,606	-	48,606
Operating income/(loss)	<u>(356,785)</u>	<u>(3,998)</u>	<u>(360,783)</u>
Non-operating revenues/(expenses):			
Grants	367,813	-	367,813
Investment income	<u>28,938</u>	<u>-</u>	<u>28,938</u>
Net income/ (loss)	<u>\$39,966</u>	<u>(3,998)</u>	<u>35,968</u>
Property, plant and equipment:			
Additions	<u>\$19,720</u>	<u>-</u>	<u>19,720</u>
Net working capital	<u>\$242,475</u>	<u>24,460</u>	<u>266,935</u>
Total assets	<u>\$964,236</u>	<u>24,460</u>	<u>988,696</u>
Total equity	<u>\$644,321</u>	<u>24,460</u>	<u>668,781</u>
Contributed capital:			
Beginning of year balance	\$245,350	-	245,350
Depreciation	<u>(35,138)</u>	<u>-</u>	<u>(35,138)</u>
End of year balance	<u>\$210,212</u>	<u>-</u>	<u>210,212</u>

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(14) BUDGET BASIS OF ACCOUNTING**

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

	Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses			
	<u>General</u>	<u>Special revenue</u>	<u>Debt service</u>	<u>Capital projects</u>
GAAP basis	(\$7,524,361)	(\$45,456)	\$2,414,266	\$95,243,040
Increase (decrease):				
Due to revenues:				
Received in cash during fiscal year 2001, but accrued at June 30, 2000	56,030,669	47,760	3,149,463	4,131,767
Accrued at June 30, 2001, not yet received in cash	(50,829,565)	(33,257)	(8,767,959)	(3,715,312)
Deferred at June 30, 2000, but not recognized in budget	(44,269,095)	-	(2,461,241)	(3,655,327)
Deferred at June 30, 2001, but not recognized in budget	48,976,945	-	8,418,358	3,646,333
Due to expenditures:				
Paid in cash during fiscal 2001, accrued at June 30, 2000	(12,714,268)	(429,425)	(17,928)	(299,865)
Accrued at June 30, 2001	12,113,327	389,864	58,552	826,773
Paid in cash during fiscal 2000, recorded as prepaid/ inventory at June 30, 2000	110,684	-	-	-
Paid in cash during fiscal 2001, recorded as prepaid/ inventory at June 30, 2001	(199,629)	-	-	-
Due to encumbrances:				
Expenditure of amount encumbered at June 30, 2000	1,206,388	425,451	-	682,616
Recognized as expenditure in budget at June 30, 2001	(2,207,670)	(335,820)	-	(8,416,243)
Budget basis	\$693,425	\$19,117	\$2,793,511	\$88,443,782

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(15) RISK MANAGEMENT**

The School District provides medical and dental coverage for its employees and is self-insured up to an individual stop loss limit of \$100,000 and an aggregate stop loss limit of \$8,230,285 for the cost of providing this coverage. This internal service fund is funded through employee premiums and Board contributions. Employee and Board contributions are determined by negotiated agreements. Amounts are paid into this fund from other funds and are recorded as charges for services. Allocations to funds and functions within funds are based upon employee assignments and are recorded as expenditures within those funds.

Expenses for claims are recorded as other operating expenses when it is probable that an asset has been impaired or a liability has been incurred and the amount of the loss can be reasonably estimated. The liability reported in the Internal Service fund accrued liabilities account at June 30, 2000 was not discounted. An actuary was used to determine the incurred but not reported (IBNR) liability on an Optimistic (\$905,480), Intermediate (\$1,238,140), and a Pessimistic (\$1,483,988) basis. A liability that approximates the Intermediate basis IBNR liability was recorded as those potential expenses are reasonably possible. However, actual expenses may exceed this estimated liability.

The following is a summary of activity for self-insurance claims liability for the years ended June 30, 2001, 2000, and 1999:

	2001	2000	1999
Claims liability at July 1	\$1,137,249	\$905,372	\$785,015
Incurred claims	7,771,425	6,830,714	6,010,584
Claims paid	(7,620,135)	(6,598,837)	(5,890,227)
Claims liability at June 30	\$1,288,539	\$1,137,249	\$905,372

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

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

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

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

The School District provides life insurance and accidental death and dismemberment insurance to all employees in an amount related to the employee's position, ranging from \$30,000 to \$235,000.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(16) STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring 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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2001, the School District received \$28,356,424 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the State's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case.

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

**(17) SUBSEQUENT EVENTS**

**(a) Insurance**

Medical insurance was offered to employees through a self insurance internal service fund. The School District was self insured with CoreSource serving as the third party administrator. Effective July 1, 2001, the School District changed from a self-insured healthcare plan to a fully insured healthcare plan. Medical Mutual of Ohio was chosen as the School District's insurance carrier.

WESTERVILLE CITY  
SCHOOL DISTRICT

Notes to Financial Statements, Continued

**(b) School Funding**

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.

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 December 17, 2001, 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 on 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 School District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

**WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN COUNTY  
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**Federal Grantor/**

<i>Pass Through Grantor</i>		Pass Through		Non-Cash		Non-Cash
Program Title	CFDA #	Entity Number	Receipts	Receipts	Disbursements	Disbursements

**U.S. DEPARTMENT OF AGRICULTURE**

*Passed through the Ohio Department of Education:*

<i>Child Nutrition Cluster:</i>						
Food Distribution	10.550	N/A	\$ —	\$48,823	\$ —	\$48,823
National School Lunch Program	10.555	LL-P1	309,236	—	309,236	—
		LL-P4				
Special Milk Program for Children	10.556	02-PU	635	—	635	—
<b>Total U.S. Department of Agriculture - Child Nutrition Cluster</b>			<b>309,871</b>	<b>48,823</b>	<b>309,871</b>	<b>48,823</b>

**U.S. DEPARTMENT OF LABOR**

*Passed through the Ohio Department of Education:*

School-to-Work	17.249	WK-BE	31,727	—	63,440	—
<b>Total U.S. Department of Labor</b>			<b>31,727</b>	<b>—</b>	<b>63,440</b>	<b>—</b>

**U.S. DEPARTMENT OF DEVELOPMENT**

*Passed through the Ohio Department of Development:*

State Energy Program	81.041		—	—	3,000	—
<b>Total U.S. Department of Development</b>			<b>—</b>	<b>—</b>	<b>3,000</b>	<b>—</b>

**U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES**

*Passed through the Ohio Department of Education:*

<i>Refugee and Entrant Assistance Discretionary Grants</i>						
	93.576	RI-S1	10,554	—	6,252	—
<b>Total U.S. Department of Health and Human Services</b>			<b>10,554</b>	<b>—</b>	<b>6,252</b>	<b>—</b>

**U.S. DEPARTMENT OF EDUCATION**

Fund for the Improvement of Education (FIE)	84.215		24,210	—	24,210	—
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*Passed through the Ohio Department of Education:*

<i>Special Education Cluster:</i>						
Special Education - Grants to States	84.027	6B-SF	615,138	—	575,212	—
Special Education - Preschool Grants	84.173	PG-S1	31,161	—	31,490	—
<b>Total Special Education Cluster</b>			<b>646,299</b>	<b>—</b>	<b>606,702</b>	<b>—</b>
Grants to Local Educational Agencies	84.010	C1-S1	259,727	—	255,737	—
Immigrant Education	84.162	EI-S1	4,400	—	4,400	—
Bilingual Education Support Services	84.194		—	—	721	—
Goals 2000 - State and Local Education Systematic Improvements	84.276	G2-S3	57,000	—	93,862	—
		G2-S4				
Eisenhower Professional Development State Grants	84.281	MS-S1	52,353	—	41,477	—
Innovative Educational Program Strategies	84.298	C2-S1	55,733	—	51,624	—
Technology Literacy Challenge Fund Grants	84.318	TF-41				
		TF-42	300,000	—	275,000	—
<b>Total Ohio Department of Education</b>			<b>1,375,512</b>	<b>—</b>	<b>1,329,523</b>	<b>—</b>

*Passed through Columbus City School District*

Vocational Education Basic Grants to States	84.048		93,874	—	147,575	—
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*Passed through Drug-Free Schools Consortium*

<i>(A Program of the Franklin County Education Council)</i>						
<i>Safe and Drug Free Schools and Community State Grants</i>						
	84.186	DR-S1	74,610	—	60,667	—
<b>Total U.S. Department of Education</b>			<b>1,568,206</b>	<b>—</b>	<b>1,561,975</b>	<b>—</b>

**U.S. Corporation for National and Community Service**

*Passed through Upper Arlington School District*

<i>Learn and Serve America_School and Community Based Programs</i>						
	94.004		5,000	—	3,271	—
<b>Total U.S. Corporation for National and Community Service</b>			<b>5,000</b>	<b>—</b>	<b>3,271</b>	<b>—</b>

<b>Total Federal Awards</b>			<b>\$1,925,358</b>	<b>\$48,823</b>	<b>\$1,947,809</b>	<b>\$48,823</b>
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The accompanying notes to this schedule are an integral part of this schedule.

**WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

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

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - FOOD DISTRIBUTION**

Non-monetary 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, 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**

Board of Education  
Westerville City School District  
Franklin County  
336 South Otterbein Avenue  
Westerville, Ohio 43081

We have audited the general purpose financial statements of Westerville City School District, Franklin County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 17, 2001, wherein we noted the District adopted *Governmental Accounting Standards Board Statements 33 and 36*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 17, 2001.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2001-10625-001.

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. We consider the reportable condition described above to be 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 December 17, 2001.

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 limited to be and should not be used by anyone other than these specified parties.

**JIM PETRO**  
Auditor of State

December 17, 2001



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

Board of Education  
Westerville City School District  
Franklin County  
336 South Otterbein Avenue  
Westerville, Ohio 43081

**Compliance**

We have audited the compliance of the Westerville City School District, Franklin 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 year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 each of its major federal programs 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 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

December 17, 2001

**WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN 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>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<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>	Nutrition Cluster, CFDA #10.550, CFDA #10.555 & CFDA # 10.556  Special Education Cluster, CFDA # 84.027 & CFDA # 84.173
<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

WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN 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**

**FINDING NUMBER 2001-10625-001**

**Fixed Assets**

The District should maintain a current listing of all fixed assets. This list should be maintained by the Executive Director of Business Services and be updated yearly for any additions and disposals. The District should have policies and procedures in place for recording additions, disposals, and transfers of fixed assets. A good asset tracking or management system allows the District to properly report the value of its fixed assets in its financial statements including accounting for and reporting depreciation of its Proprietary Fund assets. It also helps in reflecting dollar value of assets for insurance coverage, proof of loss, and replacement of assets.

The District does not maintain a current fixed asset listing. In 1996, the District contracted with a valuation engineer to inventory and tag the fixed assets held by the District. The valuation engineer provided the listing, with tag numbers and values, to the District. This information was not input into an Asset Tracking System. Since the 1996 valuation, the District has recorded a dollar value for fixed asset additions based on an analysis of capital outlay expenditures. Except for computers, moveable fixed assets are not tagged in a timely manner. In addition, the District does not have the ability to identify an asset held by the District, including the category it is reported in or its value.

The lack of a good asset tracking or management system could result in inaccurate financial reporting of the District's fixed assets and hinder the prevention of loss or misappropriation of assets.

We recommend the District perform a 100% inventory of fixed assets held. The District should then enter this information into an asset tracking system. We also recommend the District develop fixed assets accounting policies that address procedures to be followed in acquiring, disposing, and tracking fixed assets within the District, valuation of assets, and annual physical inventory procedures.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

WESTERVILLE CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status of Findings</b>
00-1	Fixed Asset Tracking	Not corrected - see Finding Number 2001-10625-001.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WESTERVILLE CITY SCHOOL DISTRICT**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 3, 2002**