



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
General Purpose Financial Statements:	
Combined Balance Sheet - All Fund Types and Account Groups - June 30, 2001	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Funds - For the Fiscal Year Ended June 30, 2001	6
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual - All Governmental Fund Types - For the Fiscal Year Ended June 30, 2001	8
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance - All Proprietary Fund Types and NonExpendable Trust Funds - For the Fiscal Year Ended June 30, 2001	10
Combined Statement of Cash Flows - All Proprietary Fund Types and NonExpendable Trust Funds - For the Fiscal Year Ended June 30, 2001	11
Notes to the General Purpose Financial Statements	13
Schedule of Federal Awards Expenditures	35
Notes to Schedule of Federal Awards Expenditures	36
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	37
Report of Independent Accountants on Compliance with Requirements Applicable to Each Major Federal Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	39
Schedule of Findings	41



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Washington Court House City School District, Fayette County (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 Washington Court House City School District, Fayette County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 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 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

November 26, 2001

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Washington Courthouse City School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Equity in Pooled Cash and Investments	\$1,146,197	\$551,952	\$36,787	\$95,103
Receivables:				
Taxes	4,394,834	0	0	0
Intergovernmental	0	22,121	0	0
Accounts	1,111	60	0	0
Accrued Interest	5,277	864	154	215
Inventory	0	0	0	0
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Obligation Bonds	0	0	0	0
Amount to be Provided for Retirement of General Long-Term Obligations	0	0	0	0
Total Assets & Other Debits	\$5,547,419	\$574,997	\$36,941	\$95,318
Liabilities, Fund Equity & Other Credits:				
Liabilities:				
Accounts Payable	\$84,919	\$31,789	\$0	\$0
Accrued Wages & Benefits	1,100,403	114,267	0	0
Compensated Absences Payable	115,717	0	0	0
Deferred Revenue	2,960,774	0	0	0
Due to Students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	4,261,813	146,056	0	0
Fund Equity & Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	541,434	112,454	0	0
Reserved for Property Tax Advances	1,434,060	0	0	0
Reserved for Endowments	0	0	0	0
Unreserved & Undesignated	(689,888)	316,487	36,941	95,318
Total Fund Equity (Deficit) & Other Credits	1,285,606	428,941	36,941	95,318
Total Liabilities, Fund Equity & Other Credits	\$5,547,419	\$574,997	\$36,941	\$95,318

See accompanying notes.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$11,926	\$237,913	\$0	\$0	\$2,079,878
0	0	0	0	4,394,834
31,784	75	0	0	53,980
2,428	0	0	0	3,599
50	911	0	0	7,471
16,215	0	0	0	16,215
40,042	0	7,916,571	0	7,956,613
0	0	0	36,941	36,941
0	0	0	547,233	547,233
<u>\$102,445</u>	<u>\$238,899</u>	<u>\$7,916,571</u>	<u>\$584,174</u>	<u>\$15,096,764</u>
\$469	\$958	\$0	\$0	\$118,135
51,879	0	0	102,696	1,369,245
5,411	0	0	181,478	302,606
11,634	0	0	0	2,972,408
0	29,257	0	0	29,257
0	0	0	300,000	300,000
<u>69,393</u>	<u>30,215</u>	<u>0</u>	<u>584,174</u>	<u>5,091,651</u>
0	0	7,916,571	0	7,916,571
33,052	0	0	0	33,052
0	0	0	0	653,888
0	0	0	0	1,434,060
0	115,000	0	0	115,000
0	93,684	0	0	(147,458)
<u>33,052</u>	<u>208,684</u>	<u>7,916,571</u>	<u>0</u>	<u>10,005,113</u>
<u>\$102,445</u>	<u>\$238,899</u>	<u>\$7,916,571</u>	<u>\$584,174</u>	<u>\$15,096,764</u>

Washington Courthouse City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 All Governmental Fund Types and Expendable Trust Fund
 For the Year Ended June 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
Taxes	\$4,729,517	\$0	\$0	\$0	\$0	\$4,729,517
Intergovernmental	7,692,408	1,193,123	0	118,968	0	9,004,499
Investment	111,700	13,961	791	6,180	3,430	136,062
Tuition & Fees	55,452	0	0	0	0	55,452
Extracurricular Activities	0	245,618	0	0	0	245,618
Miscellaneous	162,439	39,722	0	46,740	27,395	276,296
Total Revenues	12,751,516	1,492,424	791	171,888	30,825	14,447,444
Expenditures:						
Current:						
Instruction:						
Regular	5,835,393	261,929	0	16,435	0	6,113,757
Special	1,194,447	459,622	0	0	0	1,654,069
Vocational	50,772	0	0	0	0	50,772
Other	110,806	0	0	0	0	110,806
Support Services:						
Pupils	555,843	98,933	0	0	0	654,776
Instructional Staff	559,728	305,207	0	58,515	1,727	925,177
Board of Education	17,957	0	0	0	0	17,957
Administration	1,079,681	76,771	0	0	0	1,156,452
Fiscal	353,429	5,628	0	0	0	359,057
Operation & Maintenance of Plant	1,390,315	0	0	0	0	1,390,315
Pupil Transportation	552,609	1,437	0	0	0	554,046
Central	55,241	8,797	0	6,450	0	70,488
Operation of Non-Instructional Services	2,042	1,748	0	0	23,830	27,620
Extracurricular Activities	360,549	202,765	0	0	0	563,314
Capital Outlay	777,726	0	0	401,287	0	1,179,013
Debt Service:						
Interest & Fiscal Charges	8,220	0	8,553	0	0	16,773
Total Expenditures	12,904,758	1,422,837	8,553	482,687	25,557	14,844,392
Excess of Revenues Over (Under) Expenditures	(153,242)	69,587	(7,762)	(310,799)	5,268	(396,948)
Other Financing Sources (Uses):						
Proceeds of Bonds	300,246	0	0	0	0	300,246
Proceeds from Sale of Fixed Assets	823	0	0	0	0	823
Operating Transfers In	158,220	239	44,703	0	0	203,162
Operating Transfers Out	(202,923)	0	0	0	(239)	(203,162)
Total Other Financing Sources (Uses)	256,366	239	44,703	0	(239)	301,069
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	103,124	69,826	36,941	(310,799)	5,029	(95,879)
Fund Balance, Beginning of Year	1,182,482	359,115	0	406,117	70,600	2,018,314
Fund Balance, End of Year	\$1,285,606	\$428,941	\$36,941	\$95,318	\$75,629	\$1,922,435

See accompanying notes.

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Washington Courthouse City School District
 Combined Statement of Revenues, Expenditures
 And Changes in Fund Balance
 Budget and Actual (Non-GAAP Budgetary Basis)
 All Governmental Fund Types
 For the Year Ended June 30, 2001

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$4,394,834	\$4,394,834	\$0	\$0	\$0	\$0
Intergovernmental	7,692,409	7,692,409	0	1,171,002	1,171,002	0
Investment	114,141	114,141	0	13,624	13,624	0
Tuition & Fees	55,452	55,452	0	0	0	0
Extracurricular Activities	0	0	0	245,628	245,628	0
Miscellaneous	187,943	187,943	0	40,414	40,414	0
Total Revenues	12,444,779	12,444,779	0	1,470,668	1,470,668	0
Expenditures:						
Current:						
Instruction:						
Regular	5,905,874	5,900,179	5,695	298,039	264,768	33,271
Special	1,216,145	1,183,206	32,939	627,908	456,985	170,923
Vocational	50,880	50,186	694	0	0	0
Other	118,333	109,917	8,416	0	0	0
Support Services:						
Pupils	555,128	553,395	1,733	127,922	107,809	20,113
Instructional Staff	561,760	552,626	9,134	373,616	325,310	48,306
Board of Education	17,984	17,957	27	0	0	0
Administration	1,158,160	1,148,129	10,031	98,980	78,271	20,709
Fiscal	387,341	378,412	8,929	2,895	2,576	319
Operation & Maintenance of Plant	1,478,384	1,458,207	20,177	0	0	0
Pupil Transportation	573,608	562,129	11,479	1,437	1,437	0
Central	61,603	58,096	3,507	9,992	8,797	1,195
Operation of Non-Instructional Services	1,840	1,805	35	1,800	1,748	52
Extracurricular Activities	355,833	351,358	4,475	249,216	230,794	18,422
Capital Outlay	1,006,958	871,786	135,172	0	0	0
Debt Service:						
Interest & Fiscal Charges	0	0	0	0	0	0
Total Expenditures	13,449,831	13,197,388	252,443	1,791,805	1,478,495	313,310
Excess (Deficiency) of Revenues Over Under Expenditures	(1,005,052)	(752,609)	252,443	(321,137)	(7,827)	313,310
Other Financing Sources (Uses):						
Proceeds of Bonds	300,246	300,246	0	0	0	0
Proceeds from Sale of Fixed Assets	823	823	0	0	0	0
Operating Transfers In	177,688	177,688	0	239	239	0
Operating Transfers Out	(517,387)	(380,611)	136,776	0	0	0
Advances In	90,834	90,834	0	45,000	45,000	0
Advances Out	(82,500)	(82,500)	0	(45,000)	(45,000)	0
Total Other Financing Sources (Uses)	(30,296)	106,480	136,776	239	239	0
Excess of Revenues & Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(1,035,348)	(646,129)	389,219	(320,898)	(7,588)	313,310
Fund Balance, Beginning of Year (Includes Prior Year Encumbrances Appropriated)	1,394,270	1,394,270	0	478,278	478,278	0
Fund Balance, End of Year	\$358,922	\$748,141	\$389,219	\$157,380	\$470,690	\$313,310

See accompanying notes.

Debt Service			Capital Projects			Totals (Memorandum Only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$0	\$0	\$0	\$4,394,834	\$4,394,834	\$0
0	0	0	118,968	118,968	0	8,982,379	8,982,379	0
637	637	0	8,037	8,037	0	136,439	136,439	0
0	0	0	0	0	0	55,452	55,452	0
0	0	0	0	0	0	245,628	245,628	0
0	0	0	46,740	46,740	0	275,097	275,097	0
637	637	0	173,745	173,745	0	14,089,829	14,089,829	0
0	0	0	16,435	16,435	0	6,220,348	6,181,382	38,966
0	0	0	0	0	0	1,844,053	1,640,191	203,862
0	0	0	0	0	0	50,880	50,186	694
0	0	0	0	0	0	118,333	109,917	8,416
0	0	0	0	0	0	683,050	661,204	21,846
0	0	0	86,000	58,515	27,485	1,021,376	936,451	84,925
0	0	0	0	0	0	17,984	17,957	27
0	0	0	0	0	0	1,257,140	1,226,400	30,740
0	0	0	0	0	0	390,236	380,988	9,248
0	0	0	1,700	0	1,700	1,480,084	1,458,207	21,877
0	0	0	0	0	0	575,045	563,566	11,479
0	0	0	6,450	6,450	0	78,045	73,343	4,702
0	0	0	0	0	0	3,640	3,553	87
0	0	0	0	0	0	605,049	582,152	22,897
0	0	0	402,287	401,287	1,000	1,409,245	1,273,073	136,172
166,773	166,773	0	0	0	0	166,773	166,773	0
166,773	166,773	0	512,872	482,687	30,185	15,921,281	15,325,343	595,938
(166,136)	(166,136)	0	(339,127)	(308,942)	30,185	(1,831,452)	(1,235,514)	595,938
0	0	0	0	0	0	300,246	300,246	0
0	0	0	0	0	0	823	823	0
202,923	202,923	0	0	0	0	380,850	380,850	0
0	0	0	0	0	0	(517,387)	(380,611)	136,776
0	0	0	0	0	0	135,834	135,834	0
0	0	0	(8,334)	(8,334)	0	(135,834)	(135,834)	0
202,923	202,923	0	(8,334)	(8,334)	0	164,532	301,308	136,776
36,787	36,787	0	(347,461)	(317,276)	30,185	(1,666,920)	(934,206)	732,714
0	0	0	412,379	412,379	0	2,284,927	2,284,927	0
\$36,787	\$36,787	\$0	\$64,918	\$95,103	\$30,185	\$618,007	\$1,350,721	\$732,714

Washington Courthouse City School District
 Combined Statement of Revenues, Expenses
 And Changes in Retained Earnings/Fund Balance
 All Proprietary Fund Types and Non-Expendable Trust Fund
 For the Year Ended June 30, 2001

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Non-Expendable Trust</u>	
Operating Revenues:			
Investment Revenue	\$0	\$8,663	\$8,663
Charges for Services	356,830	0	356,830
Tuition & Fees	53,504	0	53,504
Miscellaneous Revenue	4,323	0	4,323
Total Operating Revenues	<u>414,657</u>	<u>8,663</u>	<u>423,320</u>
Operating Expenses:			
Salaries	294,777	0	294,777
Fringe Benefits	69,266	0	69,266
Purchased Services	16,040	0	16,040
Materials & Supplies	490,723	0	490,723
Depreciation	6,003	0	6,003
Other Operating Expenses	225	5,686	5,911
Total Operating Expenses	<u>877,034</u>	<u>5,686</u>	<u>882,720</u>
Operating Income (Loss)	<u>(462,377)</u>	<u>2,977</u>	<u>(459,400)</u>
Non-Operating Revenues (Expenses):			
Investment Revenue	3,358	0	3,358
Miscellaneous Revenue	1,329	0	1,329
Donated Commodities	140,204	0	140,204
Operating Grants - State & Local	14,723	0	14,723
Operating Grants - Federal	246,749	0	246,749
Total Non-Operating Revenues	<u>406,363</u>	<u>0</u>	<u>406,363</u>
Net Income	<u>(56,014)</u>	<u>2,977</u>	<u>(53,037)</u>
Retained Earnings/Fund Balance, Beginning of Year	<u>89,066</u>	<u>130,078</u>	<u>219,144</u>
Retained Earnings/Fund Balance, End of Year	<u>\$33,052</u>	<u>\$133,055</u>	<u>\$166,107</u>

See accompanying notes.

Washington Courthouse City School District
 Combined Statement of Cash Flows
 All Proprietary Fund Types and Non-Expendable Trust Fund
 For the Year Ended June 30, 2001

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum only)
	Enterprise	Non-Expendable Trust	
Cash Flows from Operating Activities:			
Cash Received from Tuition & Fees	\$51,076	\$0	\$51,076
Cash Received from Investment Earnings	0	8,107	8,107
Cash Received from Charges for Services	356,830	0	356,830
Cash Received from Miscellaneous Sources	6,440	0	6,440
Cash Payments for Personal Services	(343,385)	0	(343,385)
Cash Payments for Contract Services	(15,857)	0	(15,857)
Cash Payments for Supplies & Materials	(334,895)	0	(334,895)
Cash Payments for Other Expenses	(225)	(5,686)	(5,911)
Net Cash Provided (Used) by Operating Activities	(280,016)	2,421	(277,595)
Cash Flows from Non-Capital Financing Activities:			
Cash Received from Operating Grants	229,688	0	229,688
Other	1,329	0	1,329
Net Cash Provided (Used) by Non-Capital Financing Activities	231,017	0	231,017
Cash Flows from Capital and Related Financing Activities:			
Acquisition of Capital Assets	(3,313)	0	(3,313)
Net Cash Used for Capital and Related Financing Activities	(3,313)	0	(3,313)
Cash Flows from Investing Activities:			
Investment Earnings	3,563	0	3,563
Net Cash Provided (Used) by Investing Activities	3,563	0	3,563
Net Increase (Decrease) in Cash and Cash Equivalents	(48,749)	2,421	(46,328)
Cash and Cash Equivalents at Beginning of Year	60,675	130,078	190,753
Cash and Cash Equivalents at End of Year	\$11,926	\$132,499	\$144,425
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	(\$462,377)	\$2,977	(\$459,400)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	6,003	0	6,003
Donated Commodities Used	140,204	0	140,204
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivables	(311)	0	(311)
(Increase) Decrease in Accrued Interest	0	(556)	(556)
(Increase) Decrease in Materials & Supplies Inventory	(2,618)	0	(2,618)
Increase (Decrease) in Accounts Payable	90	0	90
Increase (Decrease) in Accrued Wages & Benefits	36,396	0	36,396
Increase (Decrease) in Compensated Absences Payable	(198)	0	(198)
Increase (Decrease) in Deferred Revenue	2,795	0	2,795
Net Cash Provided (Used) by Operating Activities	(280,016)	\$2,421	(277,595)
Reconciliation of Non-Expendable trust fund to balance sheet:			
Cash and cash equivalents - All fiduciary Funds		\$237,913	
Cash and cash equivalents - Expendable Trust and Agency Funds		105,414	
Cash and cash equivalents - Non-Expendable Trust Fund		\$132,499	

See accompanying notes.

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

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

NOTE 1: DESCRIPTION OF THE DISTRICT

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

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

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

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

Today, the district owns nine major educational facilities: four elementary buildings (Belle Aire, Cherry Hill, Eastside, and Rose Avenue), one middle school (Washington Middle School), one high school (Washington Senior High), Education Service Center (district office), one kindergarten (Sunnyside), and Gardner Park Sports Complex. The total enrollment varies from year to year but averages 2,318 students per year and the average senior class has 125 students graduating.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. The Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

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

proprietary and fiduciary fund types) are accounted for through Governmental Funds. The following are the District's Governmental Fund Types:

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Funds - Proprietary Funds are used to account for the District's on-going activities, which are similar to those most often, found in the private sector. The following are the 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 cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or

net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

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

General Fixed Assets Account Group

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

General long-term Obligations Account Group

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

C. Measurement Focus/Basis of Accounting

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

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

Basis of Accounting: The Modified accrual basis of accounting is followed for Governmental, Expendable Trust and Agency Funds. Under this basis of accounting revenues are recognized when they become both measurable and available to finance expenditures for the current period, which for the District is 60 days after fiscal year end. Revenue considered susceptible to accrual includes but is not limited to property taxes available for advance, investment, tuition, and state and federal grants. Property taxes measurable but not available to finance neither current year expenditures nor intended to finance current year expenditures are recorded as deferred revenues. Delinquent property

taxes are recorded as receivable if received within the available period. Expenditures are recognized in the period in which the related fund liability is incurred, except interest on long-term debt which is recorded when due.

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

D. Budgetary Data

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

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

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

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

1. Prior to January 15 of the preceding fiscal year, the Treasurer submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers comments. The expressed purpose of this budget document is to reflect the need for existing or increased tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Fayette County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts by formal resolution, the tax rates as determined by the Fayette County Budget Commission and received the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then

serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate.

4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the Fayette County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriations totals.
5. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. All department/functions and funds completed the year within the amount of their legally authorized appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. The Board legally enacted all supplemental appropriations.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be re-appropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

E. Encumbrances

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

F. Cash and Investments

Cash received by the District is deposited in various bank accounts with individual fund balance integrity maintained throughout. Moneys for all funds are maintained in these accounts or are temporarily used to purchase short-term cash equivalent investments. Under existing Ohio statutes, all investments earnings accrue to the General Fund except

those specifically related to agency Fund, certain trust funds, and those funds individually authorized by Board resolution.

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

During fiscal year 2001 investments were limited to repurchase agreements. Repurchase agreements are non-participating investment contracts and were valued at cost.

G. Inventory

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

H. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

Building Improvements	20-40 years
Equipment	3-15 years

I. Intergovernmental Revenues

In Governmental Funds, non-reimbursable grants are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables

and revenue when the related expenditures are incurred. Other than commodities, grants for Proprietary Fund operations are recognized as revenue when measurable and earned.

J. Compensated Absences

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

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

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

	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
<i>Vacation:</i>			
How Earned	Not Eligible	20 days per year accumulated at 1.667 per month	10-20 days for each year depending on length of service
Maximum Accumulation	Not Eligible	60 days	60 days
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon Termination	Paid upon Termination
<i>Sick Leave:</i>			
How earned	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)	1.25 days per month of employment (15 days per year)
Maximum Accumulation	Contract year + 15 days (Range from 200-220 days)	Contract year + 15 days (Range from 220 - 269 days)	Contract year + 15 days (Range from 200 - 275 days)
Termination Entitlement	Per Contract	Per Contract	Per Contract

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

K. Inter-fund Transactions

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

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

L. Long-Term Obligations

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

M. Fund Equity

Reserved fund balances indicate that portion of fund equity, which is not available for current appropriations or is legally segregated for a specific use. Fund balances are reserved for encumbrance, property tax advances, and set-a-sides. The reserve for Property taxes represent amounts accrued as revenue in accordance with GAAP, but not available for appropriation according to state statute. The reserve for set-asides represents state mandated reserves for capital maintenance and budget stabilization. The unreserved portions of fund equity reflected for the Governmental Funds are available for use within the special purpose of those funds.

N. Memorandum Only - Total Columns

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

O. Proprietary Fund Accounting

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

NOTE 3: DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not

limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentality's.

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

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

During fiscal year 2001, the District's investments were limited to overnight repurchase agreements. During the fiscal year, all investments of the District had a maturity of two years or less.

At fiscal year end, the District had \$30.00 in undeposited cash on hand which is included on the balance sheet of the District as part of "equity in pooled cash and cash equivalents".

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

Deposits: At fiscal year end, the carrying amount of the School District's deposits was \$42,569.00 and the bank balance was \$290,800. Of the bank balance, \$167,247 was covered by federal depository insurance. \$123,553 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 3</u>	<u>Carrying Value/Fair Value</u>
Repurchase Agreement	\$2,037,279	\$2,037,279
Totals:	\$2,037,279	\$2,037,279
	=====	=====

NOTE 4: PROPERTY TAXES

Property taxes included amounts levied against real, public utility and tangible personal (business) property. The assessed value, by property classification, upon which taxes collected in 2001 were based, is as follows:

Tangible Personal	\$ 34,800,270
Public Utility & Real Estate	<u>\$160,677,430</u>
Total Assessed Property Value	<u>\$195,477,700</u>

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien dates. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised

property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20. If paid semi-annually, the first payment (at least ½ of amount billed) was due January 20 with the remainder due on June 20.

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

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

NOTE 5: FIXED ASSETS

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

	<u>Balance Beg of Year</u>	<u>Additions</u>	<u>Disposal</u>	<u>Balance End of Year</u>
Land	\$ 295,098	\$ 148,842	\$ -0-	\$ 443,940
Building & Building Improvements	\$ 1,366,414	\$ 978,106	\$ -0-	\$2,344,520
Equipment	<u>\$ 4,797,829</u>	<u>\$ 386,725</u>	<u>\$ (56,443)</u>	<u>\$5,128,111</u>
Total	<u>\$ 6,459,341</u>	<u>\$1,513,673</u>	<u>\$ (56,443)</u>	<u>\$7,916,571</u>

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

Equipment	\$ 225,402
Less Accumulated Depreciation	- 185,360
Net Fixed Assets	<u>\$ 40,042</u>

NOTE 6: NOTES PAYABLE

During the year ended June 30, 2001, the following changes occurred in short-term notes payable.

	<u>Balance Beg of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance End of Year</u>
General Notes Payable:				
5.48%	\$ <u>150,000</u>	\$ <u>-0-</u>	\$ <u>150,000</u>	\$ <u>-0-</u>
Total Notes Payable	\$ <u>150,000</u>	\$ <u>-0-</u>	\$ <u>150,000</u>	\$ <u>-0-</u>

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

During the year ended June 30, 2001 the following changes occurred in debt reported in the General Long-Term Obligations Account Group.

	<u>Balance Beg of Year</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance End of Year</u>
Accrued Wages & Benefits	\$ 88,289	\$ 14,407	\$ -0-	\$ 102,696
School Improvement Bond	\$ -0-	\$ 300,000	\$ -0-	\$ 300,000
Compensated Absences	\$ 188,041	\$ -0-	\$ 6,563	\$ 181,478
Total	\$ <u>276,330</u>	\$ <u>314,407</u>	\$ <u>6,563</u>	\$ <u>584,174</u>

NOTE 8: SEGMENT INFORMATION

Enterprise Funds:

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

	<u>FOOD SERVICE</u>	<u>UNIFORM SUPPLY</u>	<u>P.A.C.E.CREATIVE COM. ED</u>	<u>CARE</u>	<u>TOTAL</u>
Operating Revenue	\$ 350,428	\$ 4,259	\$ 3	\$ 59,967	\$ 414,657
Operating Expenses*	\$ 802,099	\$ 6,828	\$ 3,468	\$ 58,636	\$ 871,001

Depreciation	\$ 6,003	-0-	-0-	-0-	\$ 6,003
Operating					
Income (Loss)	\$ 467,080	\$ (2,569)	\$ (3,465)	\$ 1,331	\$ 462,397
Non-operating					
Revenue	\$ 405,058	\$ 255	\$ 142	\$ 908	\$ 406,363
Net					
Income (Loss)	\$ (52,616)	\$ (2,314)	\$ (3,323)	\$ 2,239	\$ (56,014)
Net					
Income (Loss)	\$ (52,616)	\$ (2,314)	\$ (3,323)	\$ 2,239	\$ (56,014)
Net Working					
Capital	\$ (330)	\$ 32	\$ 652	\$ 4,290	\$ 4,644
Total Assets	\$ 93,696	\$ 32	\$ 689	\$ 8,028	\$ 102,445
Total Liabilities	\$ 65,618	\$ -0-	\$ 37	\$ 3,738	\$ 69,393
Total Equity	\$ (28,078)	\$ 32	\$ 652	\$ 4,290	\$ 33,052
*before Depreciation					

NOTE 9: EMPLOYEE RETIREMENT SYSTEMS & DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System (SERS)

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14% of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2001 and 2000 and 1999 were \$325,494, \$288,438, and \$272,124 respectively; 47 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$173,232 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.

B. State Teachers Retirement System (STRS)

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

Plan members are required to contribute 9.3% of their annual covered salary and the School District is required to contribute 14%; 10.5 percent was the portion used to fund pension obligations. Prior to July 1, 1997, the portion used to fund pension obligations was 12 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, nor to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's contributions to STRS for the years ending June 30, 2001, 2000, and 1999 were \$963,708, \$896,916 and \$843,444, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$165,712 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

NOTE 10: POST EMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2000, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the year ended June 30, 2001, the allocation will be 4.5% of the covered payroll.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.149 billion at June 30, 2000. 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.

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

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. The Surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 11: BUDGETARY BASIS OF ACCOUNTING

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

Reconciliation of Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses From GAAP Basis to Budgetary Basis				
Governmental Fund Types	General Fund	Special Revenue Funds	Debt Service Fund	Capital Projects Fund
GAAP Basis	\$ 103,124	\$ 69,826	\$ 36,941	\$ (310,799)
Net Adjustments for Revenue Accruals	\$ (196,435)	\$ 23,244	\$ 158,066	\$ 1,857

Net Adjustment for Expenditure Accruals	\$ (154,763)	\$ (19,398)	\$ (158,220)	\$ (8,334)
Encumbrances	\$ (398,055)	\$ (81,260)	\$ -0-	\$ -0-
Budgetary Basis	\$ (646,129)	\$ (7,588)	\$ 36,787	\$ (317,276)

NOTE 12: COMPLIANCE AND ACCOUNTABILITY

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

NOTE 13: CONTINGENT LIABILITIES

Grants

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

NOTE 14: JOINTLY GOVERNED ORGANIZATIONS

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

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board.

The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and Federal and State grants.

NOTE 15: RISK MANAGEMENT

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

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

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$30,922,400

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

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

NOTE 16: STATE AND FEDERAL GRANTS

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

NOTE 17: UNCERTAINTIES

On 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 aide 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 October 1, 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 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 re-determine 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.

NOTE 18: STATUTORY RESERVES

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 2001, the reserve activity (cash-basis) was as follows:

	<u>Textbook Reserve</u>	<u>Capital Maintenance Reserve</u>	<u>Budget Stabilization Reserve</u>
Balance, Beginning of Year	\$ (21,303)	\$ 156,598	\$ 172,001
Required Set-Aside	\$ 278,034	\$ 278,034	\$ -0-
Offset Credits	\$ -0-	\$ -0-	\$ (150,000)
Qualifying Expenditures	\$ <u>(383,193)</u>	\$ <u>(434,632)</u>	\$ <u>-0-</u>
Balance, End of Year	\$ (126,462)	\$ -0-	\$ 22,001
	Total set-aside amount		\$ <u>-0-</u> =====

Expenditures for textbook and instructional material activities during the year totaled \$383,193, which exceeded the amount required for the set-a-side by \$126,462. This amount may be used to reduce the set-a-aide requirement in succeeding fiscal years for textbook and instructional material activities.

Senate Bill 345 eliminated the budget stabilization reserve. The Board of Education decided to transfer the Bureau of Workers Compensation portion of \$46,208 as well as \$103,792 of the other portion of the Budget Stabilization Reserve to the Capital Maintenance Reserve. The remainder of \$22,001 reverts to unreserved, undesignated General Fund.

NOTE 19: LONG-TERM DEBT

All current obligation bonds outstanding, issued to provide funds for the purpose of paying costs of permanent improvement, are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligation Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund. Interest payments are made in March and September of each year. Principal payments are made in September only. The source of payment is derived from TIF payments.

A. The following is a description of the District’s bonds outstanding as of year-end:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 6/30/00</u>	<u>Issued 2001</u>	<u>Retired 2001</u>	<u>Balance 6/30/01</u>
School Improvement	4.93	9/1/00	9/1/09	-0-	\$300,000	-0-	\$300,000

B. The following is a summary of the District’s future annual debt service requirements to maturity for general obligations bonds:

<u>Year Ending June 30</u>	<u>Principal of General Obligation Bonds</u>	<u>Interest on General Obligation Bonds</u>	<u>Total</u>
2002	\$25,000	\$16,963	\$41,963
2003	\$30,000	\$15,340	\$45,340
2004	\$30,000	\$13,570	\$43,570
2005	\$30,000	\$11,800	\$41,800
2006	\$35,000	\$ 9,883	\$44,883
2007-2009	<u>\$150,000</u>	<u>\$18,290</u>	<u>\$168,290</u>
Totals	\$300,000	\$85,846	\$385,846
	=====	=====	=====

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

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$63,908	\$0	\$140,204
National School Breakfast Program	05-PU-2001	10.553	34,238	0	34,238	0
National School Lunch Program	04-PU-2001	10.555	180,727	0	180,727	0
Total Nutrition Cluster			214,965	63,908	214,965	140,204
Total U.S. Department of Agriculture			214,965	63,908	214,965	140,204
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Special Education Cluster:						
Handicapped Preschool	PG-S1-2001	84.173	19,093	0	15,932	0
Handicapped Preschool	PG-S1-2000	84.173	0	0	2,566	0
Special Education Grants to States (Title VI B)	6B-SF-2001	84.027	135,447	0	103,550	0
Special Education Grants to States (Title VI B)	6B-SF-2000	84.027	0	0	36,496	0
Total Special Education Cluster			154,540	0	158,544	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2001	84.010	487,065	0	327,301	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2000	84.010	11,500	0	128,045	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2000C	84.010	73,012	0	73,012	0
Innovative Educational Program Strategies	C2-S1-2001	84.298	11,223	0	503	0
Innovative Educational Program Strategies	C2-S1-2000	84.298	0	0	9,723	0
Eisenhower Prof Development State Grant	MS-S1-2001	84.281	10,911	0	3,633	0
Eisenhower Prof Development State Grant	MS-S1-2000C	84.281	0	0	1,884	0
Eisenhower Prof Development State Grant	MS-S1-2000	84.281	0	0	10,826	0
Class Size Reduction	CR-S1-2001	84.340	63,319	0	61,258	0
Class Size Reduction	CR-S1-2000	84.340	0	0	14,039	0
Drug-Free Schools Grant	DR-S1-2001	84.186	9,404	0	1,399	0
Drug-Free Schools Grant	DR-S1-2000C	84.186	0	0	79	0
Drug-Free Schools Grant	DR-S1-2000	84.186	0	0	3,697	0
Total Department of Education			820,974	0	793,943	0
U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES						
<i>Passed through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fund System (CAFS)	N/A	93.778	22,499	0	22,499	0
Total Department of Health			22,499	0	22,499	0
TOTALS			\$1,058,438	\$63,908	\$1,031,407	\$140,204

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

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

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

1. SIGNIFICANT ACCOUNTING POLICIES

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

2. NUTRITION CLUSTER

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

3. COMMUNITY ALTERNATIVE FUNDING SYSTEM

Receipts for this grant are posted to the General Fund. It is assumed federal monies are expended first.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Board of Education:

We have audited the financial statements of the Washington Court House City School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated November 26, 2001. 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 November 26, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated November 26, 2001.

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

Jim Petro
Auditor of State

November 26, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

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

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

To the Board of Education:

Compliance

We have audited the compliance of Washington Court House City School District, Fayette County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Washington Court House City School 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 Washington Court House City School District's management. Our responsibility is to express an opinion on Washington Court House City School 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 Washington Court House City School 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 Washington Court House City School District's compliance with those requirements.

In our opinion, Washington Court House City School 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 Washington Court House City School 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 Washington Court House City School 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 audit committee, management, board of education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

November 26, 2001

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

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title 1, CFDA #84.010 National School Lunch Program, CFDA #10.555
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 27, 2001**