

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 1 - Description of the School District and Reporting Entity

Washington City School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state statute and/or federal guidelines.

The School District was established in 1888. The School District serves an area of approximately one hundred twelve square miles. It is located in Hardin and Wyandot Counties and includes all of Pleasant Township, portions of Cessna, Lynn, McDonald, Taylor Creek, Dudley, and Goshen Townships, and the City of Washington. The School District is the 257th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by ninety-four classified employees, one hundred fifty-eight certified teaching personnel, and ten administrative employees who provide services to 2,246 students and other community members. The School District currently operates eleven instructional/support buildings.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Washington City School District.

The School District is associated with three jointly governed organizations and two insurance pools. These organizations are the Ohio Hi-Point Joint Vocational School, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Hardin County School Employees' Health and Welfare Benefit Plan and Trust, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 20 and 21 to the general purpose financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of Washington City 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 also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. (If needed). The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function program of the School District's governmental activities and for the single business-type activity of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. (If needed.) Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the School District's only major governmental fund:

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The general fund is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources, debt service, and capital projects of the School District whose uses are restricted to a particular purpose.

Proprietary Fund

The proprietary fund focuses on the determination of the changes in net assets, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service; the School District has no internal service funds.

Enterprise Fund - The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Food Service - The Food Service enterprise fund accounts for the financial transactions related to the food service operations of the School District. This fund is the School District's only enterprise fund and it is reported as a major fund.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District's only trust fund is a private purpose trust which accounts for a program that provides assistance to needy students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. (Identify who the money is held for)

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the Statement of Net Assets.

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The Food Service enterprise fund and the fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

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. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current fiscal year or 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 fiscal year end.**

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 nonexchange 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, income taxes, grants, investment earnings, tuition, and student fees.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred Revenue

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

Property taxes (should not include delinquent) for which there is an enforceable legal claim as of June 30, 2000, but which were levied to finance fiscal year 2001 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also 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.

Expenditures/Expenses

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 on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are 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.

E. Budgetary Process GASB 38 eliminates budget policies as a recommended disclosure.

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund and function level within each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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

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

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000. Prior to year-end, the School District requested and received an amended certificate of estimated resources that reflects actual revenue for the fiscal year.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund and function level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, 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 at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, must be approved by the Board of Education. The Board has authorized the treasurer to allocate appropriations among object level expenditures within each function.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The School District had several supplemental appropriation resolutions during fiscal year 2000.

The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts on the statements of budgetary comparisons represent the final appropriation amounts passed by the Board during the year. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the fund financial statements, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements. (GASB 38 rescinds the requirement for this disclosure.)

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

During fiscal year 2000, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2000 amounted to \$265,530, which includes \$11,869 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of the Food Service enterprise fund are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories in the enterprise fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

I. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside to create a reserve for budget stabilization.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements. Capital assets utilized by the Food Service enterprise fund are reported both in the business-type activities column of the government-wide statement of net assets and in the fund.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets utilized by the enterprise fund is also capitalized.

All reported capital assets, other than land, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Buildings Improvements	15 - 30 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In the Food Service enterprise fund, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the enterprise fund are reported on the enterprise fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences, special termination benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The School District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, loans, budget stabilization, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures. The designation for budget stabilization represents revenues set aside that exceed statutorily required amounts.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 2 - Summary of Significant Accounting Policies (continued)

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the Food Service enterprise fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the Food Service enterprise fund.

Q. Contributions of Capital

Contributions of capital in Food Service enterprise fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

R. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in the food service enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

S. Estimates

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2000.

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance

A. Changes in Accounting Principles

For fiscal year 2000, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 33, "Accounting and Financial Reporting for Nonexchange Transactions"; GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2000, there was no effect on fund balance as a result of implementing GASB

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 3 – Changes in Accounting Principles and Restatement of Fund Balance (continued)

Statements 36, 37, and 38.

GASB Statement No. 33 establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing of recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established in GASB Statement No. 33 for accrual-basis recognition will have been met and the revenues will be available.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between governmental and business-type activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 1999, caused by the conversion to the accrual basis of accounting. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 1999.

B. Restatement of Fund Balance

The restatements for GASB Statement No. 33, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Nonmajor Gov't. Funds	Total Governmental Activities
Fund Balance June 30, 1999	\$2,732,156	\$129,390	\$2,861,546
GASB 34 Adjustments:			
Change in Fund Structure	22,020	0	22,020
GASB 33 Adjustments:			
Intergovernmental Receivable	0	50,000	50,000
Interpretation 6 Adjustments:			
Compensated Absences Payable	28,302	0	28,302
Correction of an error	14,079	14,079	14,079
Adjusted Fund Balance	\$2,782,478	\$193,469	2,975,947

(continued)

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

	General	Nonmajor Gov't. Funds	Total Governmental Activities
(continued)			
GASB 34 Adjustments:			
Income Taxes Receivable Deferred on Fund Level			104,542
Intergovernmental Receivable Deferred on Fund Level			129,282
Capital Assets			2,740,819
Accrued Interest Payable			(1,273)
Long-Term Liabilities			(1,196,615)
Long-Term (Deferred) Assets			32,738
Governmental Activities Net Assets, June 30, 1999			\$4,785,440

At June 30, 1999, capital assets were adjusted due to a change in threshold by the School District in the Food Service enterprise fund. This restatement had the following effect on fund equity as it was previously reported:

	Business-Type Activities
Fund Equity June 30, 1999	\$68,930
GASB 34 Adjustments:	
Change in Fund Structure	(22,020)
Change in Threshold:	
Capital Assets	(11,918)
Adjusted Net Assets at June 30, 1999	\$34,992

Note 4 - Accountability and Compliance

A. Accountability

At June 30, 2000, the Reducing Class Size and Miscellaneous State Grants special revenue funds had deficit fund balances of \$13,424 and \$4,102. The General Fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

B. Compliance

Vocational Instruction in the General Fund had expenditures in excess of appropriations for the fiscal year ended June 30, 2000, in the amount of \$840. The School District has initiated a written policy requiring that the amount of every purchase order be compared to available appropriations prior to its release to the vendor.

Note 5 - Budgetary Basis of Accounting

While the School District is reporting financial position, results of operations, and changes in fund balances/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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 5 - Budgetary Basis of Accounting (continued)

Fund Balance - Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	
	General
GAAP Basis	\$1,053,085
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 1999, Received In Cash FY 2000	679,790
Accrued FY 2000, Not Yet Received in Cash	(680,170)
Expenditure Accruals:	
Accrued FY 1999, Paid in Cash FY 2000	(1,230,067)
Accrued FY 2000, Not Yet Paid in Cash	1,336,767
Prepaid Items	(5,260)
Advances Out	(56,100)
Loans Receivable:	
Issued	(12,655)
Repayments	10,000
Encumbrances Outstanding at Year End (Budget Basis)	(347,227)
Budget Basis	\$748,163

Note 6 - Deposits and Investments

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

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

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 6 - Deposits and Investments (continued)

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

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

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education).

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 School District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 6 - Deposits and Investments (continued)

At fiscal year end, the School District had \$1,449 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents".

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

At fiscal year end, the carrying amount of the School District's deposits was (\$145,440) and the bank balance was \$119,244. Of the bank balance, \$102,000 was covered by federal depository insurance and \$17,244 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District's investments are categorized 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 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 by its trust department or agent but not in the School District's name. The School District's investment in repurchase agreements, which are Category 3 investments, had a carrying amount of \$4,874,348 and a fair value of \$4,875,231 at June 30, 2000.

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

A reconciliation between the classification of cash and cash equivalents and investments on the combined financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$4,730,357	\$0
Cash on Hand	(1,449)	0
Repurchase Agreements	(4,874,348)	4,874,348
GASB Statement No. 3	(\$145,440)	\$4,874,348

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following 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 and public utility property tax revenues received in calendar year 2000 represent the collection of calendar year 1999 taxes. Real property taxes for 2000 were levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. 7-

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Property Taxes (continued)

Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2000 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2000 (other than public utility property) represent the collection of calendar year 2000 taxes. Tangible personal property taxes for 2000 were levied after April 1, 1999, on the value as of December 31, 1999. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by **Note** September 20.

The School District receives property taxes from Hardin and Wyandot Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2000 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2000 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2000, was \$154,188 in the General Fund. The amount available as an advance at June 30, 1999, was \$159,585 in the General Fund.

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

	1999 Second- Half Collections		2000 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$78,222,580	49.32%	\$95,513,720	53.27%
Industrial/Commercial	29,728,460	18.75	32,009,700	17.85
Public Utility	11,120,790	7.01	10,852,390	6.05
Tangible Personal	39,511,988	24.92	40,931,215	22.83
Total Assessed Value	<u>\$158,583,818</u>	<u>100.00%</u>	<u>\$179,307,025</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.20		\$34.20	

Note 8 - Income Taxes

The School District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1996, and is for a continuing period. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 9 - Receivables

Receivables at June 30, 2000, consisted of both property and income taxes, accounts (rent and student fees), intergovernmental, accrued interest, and loans. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. (Any receivables not expected to be collected within one year from the date of the statements must be disclosed. If receivables are aggregated on the Statement of Net Assets or Balance Sheet, detail must be provided. If there is an allowance for uncollectibles, the gross amount, uncollectible amount, and net should also be disclosed.)

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$5,562
Title I	270,742
Reducing Class Size	11,336
Total Governmental Activities	287,640
Business-Type Activities	
Food Service Lunch Reimbursement	23,135
Total Intergovernmental Receivables	\$310,775

Note 10 - Loans Receivable

On January 16, 1996, the Board of Education made a loan to the Band Boosters, in the amount of \$24,273. The interest free loan was for a five year period. During fiscal year 2000, the Board of Education received a \$10,000 payment. On September 28, 1999, the Board of Education made an additional loan to the Band Boosters, in the amount of \$12,655. The interest free loan was in addition to the previously existing loan. At June 30, 2000, the outstanding balance on the loans was \$11,928. (Amounts not expected to be repaid fully in the next fiscal year would need to be disclosed.)

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 11 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2000, was as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Governmental Activities				
Land	\$639,380	\$0	\$0	\$639,380
Land Improvements	258,890	64,500	0	323,390
Buildings and Buildings				
Improvements	3,053,895	78,335	0	3,132,230
Furniture and Fixtures	1,167,625	56,416	(3,926)	1,220,115
Vehicles	780,575	105,798	(64,465)	821,908
Equipment	76,965	5,499	0	82,464
Totals at Historical Cost	<u>5,977,330</u>	<u>310,548</u>	<u>(68,391)</u>	<u>6,219,487</u>
Less Accumulated Depreciation:				
Land Improvements	(250,235)	(3,675)	0	(253,910)
Buildings and Building	(1,847,098)	(94,358)	0	(1,941,456)
Improvements				
Furniture and Fixtures	(614,563)	(158,221)	3,926	(768,858)
Vehicles	(477,829)	(49,350)	64,465	(462,714)
Equipment	(46,786)	(4,460)	0	(51,246)
Total Accumulated Depreciation	<u>(3,236,511)</u>	<u>(310,064)</u>	<u>68,391</u>	<u>(3,478,184)</u>
Governmental Activities Capital Assets, Net	<u>\$2,740,819</u>	<u>\$484</u>	<u>\$0</u>	<u>\$2,741,303</u>
	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00
Business-Type Activities				
Buildings and Building	\$12,960	\$0	\$0	\$12,960
Improvements				
Vehicles	21,600	0	0	21,600
Equipment	152,891	16,317	(44,222)	124,986
Totals at Historical Cost	<u>187,451</u>	<u>16,317</u>	<u>(44,222)</u>	<u>159,546</u>
Less Accumulated Depreciation:				
Buildings and Building				
Improvements	(2,977)	(610)	0	(3,587)
Vehicles	(11,880)	(2,160)	0	(14,040)
Equipment	(126,400)	(4,258)	44,222	(86,436)
Less Accumulated Depreciation	<u>(141,257)</u>	<u>(7,028)</u>	<u>44,222</u>	<u>(104,063)</u>
Business-Type Activities Capital Assets, Net	<u>\$46,194</u>	<u>\$9,289</u>	<u>\$0</u>	<u>\$55,483</u>

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 11 - Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$209,227
Special	4,425
Vocational	1,587
Support Services:	
Pupil	4,434
Instructional Staff	12,220
Administration	6,469
Fiscal	5,314
Operation and Maintenance of Plant	24,202
Pupil Transportation	42,186
Total Depreciation Expense	\$310,064

Note 12 - Restricted Assets

The following amounts, which are reflected on the statement of net assets, are restricted for various purposes.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$465,880
Receivables:	
Accounts	448
Intergovernmental	282,078
Accrued Interest	125
Prepaid Items	3,607
Total Restricted Assets	752,138
Less Liabilities Payable from Restricted Assets	196,675
Restricted Net Assets	\$555,463

Note 13 - Interfund Assets/Liabilities

As of June 30, 2000, on the fund financial statements, the Title I and Reducing Class Size special revenue funds owed the General Fund \$52,000 and \$4,100, respectively. These amounts are represented as "Interfund Receivable/Payable" on the balance sheet. (Disclose the purpose of interfund balances and those balances that are not expected to be repaid within one year from the date of the financial statements.)

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 14 - Risk Management

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. During fiscal year 2000, the School District contracted for the following insurance coverages:

Coverages provided by Nationwide/Wausau Insurance are as follows:

Buildings and Contents - replacement cost (\$1,000 deductible)	\$36,107,100
Boiler and Machinery (\$1,000 deductible)	18,065,300
Employee Dishonesty - per loss	2,000
Commercial Crime	2,000
Hardware and Software (\$100 deductible; \$1,000 breakdown)	500,000
Audio Visual Equipment (\$100 deductible)	787,832

Coverages provided by Nationwide/Wausau Insurance are as follows (continued):

Music Instruments and Band Uniforms (\$100 deductible)	\$446,491
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Medical Payments - per person	5,000
General School District Liability	
Per Occurrence	2,000,000
Total per Year	5,000,000
Umbrella Liability Insurance	5,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

The School District participates in the Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust), a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The School District pays monthly premiums to the Trust for employee medical, dental, vision, and life insurance benefits. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2000, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 14 - Risk Management (continued)

performance is compared to the overall savings percentage of the GRP.

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

Note 15 - Defined Benefit Pension Plans

A. State Teachers Retirement System

The 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$401,138, \$368,660, and \$650,884, respectively; 84 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is \$64,759.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion 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 School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998, were \$85,389, \$110,012, and \$99,482, respectively; 50 percent has been contributed for fiscal year 2000 and 100 percent for fiscal years 1999 and 1998. The unpaid contribution for fiscal year 2000 is \$43,032.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, four members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Note 16 - Postemployment 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 classified 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 law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$534,850 for fiscal year 2000.

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

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$158,993 for fiscal year 2000.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 17 - Employee Benefits

A. Compensated Absences

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent and Treasurer.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of one hundred ninety-five days for certified employees, twelve days beyond contract year for administrators, and two hundred five days for classified employees. Upon retirement, payment is made for one-fourth of their accrued, but unused sick leave credit to a maximum of thirty-eight days.

B. Health Care Benefits

The School District provides medical, dental, vision, and life insurance benefits to most employees through the Hardin County School Employees' Health and Welfare Benefit Plan and Trust. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract.

Note 18 - Long-Term Obligations

Changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Balance at 6/30/99	Additions	Reductions	Balance at 6/30/00	Amounts Due in One Year
Governmental Activities:					
Energy Conservation					
Notes FY 1994 4.85%	\$315,000	\$0	(\$73,000)	\$242,000	\$77,000
Compensated Absences	807,657	385,614	(343,588)	849,683	222,673
Total Governmental Activities Long Term Liabilities	<u>\$1,122,657</u>	<u>\$385,614</u>	<u>(\$416,588)</u>	<u>\$1,091,683</u>	<u>\$299,673</u>
Business Type Activities:					
Compensated Absences	<u>\$16,135</u>	<u>\$16,008</u>	<u>(\$10,043)</u>	<u>\$22,100</u>	<u>\$6,020</u>

Energy Conservation Notes - On July 1, 1993, the School District issued \$687,000 in unvoted general obligation notes for providing energy conservation measures for the School District. The notes were issued under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372 for a nine year period with final maturity during fiscal year 2003. The notes are being retired through the debt service fund.

Compensated absences will be paid from the fund from which the employees' salaries are paid.

The School District's overall debt margin was \$16,137,632 with an unvoted debt margin of \$179,307 at June 30, 2000.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 18 - Long-Term Obligations (continued)

Principal and interest requirements to retire the energy conservation notes outstanding at June 30, 2000, were as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$77,000	\$9,870	\$86,870
2002	81,000	6,038	87,038
2003	84,000	2,037	86,037
Totals	<u>\$242,000</u>	<u>\$17,945</u>	<u>\$259,945</u>

(Principal and interest must be separately presented for each of the next five years and then in five year increments)

Note 19 - Set-Asides

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, the School District is required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2000.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 1999	\$0	\$0	\$157,876
Current Year Set Aside Requirement	293,026	293,026	97,675
Current Year Offset	0	0	(66,264)
Qualifying Expenditures	(423,086)	(472,990)	0
Balance June 30, 2000	<u>(\$130,060)</u>	<u>(\$179,964)</u>	<u>\$189,287</u>
Amount Carried Forward to Fiscal Year 2001	<u>\$0</u>	<u>\$0</u>	<u>\$189,287</u>

The School District had qualifying expenditures during the year that reduced the textbooks and capital improvements set aside amounts below zero; however, the School District has chosen not to use these amounts to reduce the set aside requirement of future years. The total reserve balance for the set asides at the end of the fiscal year was \$189,287.

**Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000**

Note 20 - Jointly Governed Organization

A. Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards. The degree of control exercised by the School District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

B. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

C. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Washington, Ohio 43326-2385.

Note 21 - Insurance Pools

A. Hardin County School Employees' Health and Welfare Benefit Plan and Trust

The Hardin County School Employees' Health and Welfare Benefit Plan and Trust (the Trust) is a public entity shared risk pool consisting of six school districts, the Hardin County Educational Service Center, and the Ada Public Library. The Trust is organized as a Voluntary Employee Benefit Association under Section 501 (c)(9) of the Internal Revenue Code and provides medical, dental, vision, and life insurance benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 21 - Insurance Pools (continued)

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Rick Combs, who serves as Director, 9525 T.R. 50, Dola, Ohio 45835.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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

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

Note 22 - School Foundation Program

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$6,235,586 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio 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 Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme 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 Ohio 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 Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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 these programs and on its financial operations.

Washington City School District
Basic Financial Statements
For the Fiscal Year Ended June 30, 2000

Note 23 - Interfund Transfers

During the year ended June 30, 2000, the General Fund transferred \$92,010 to Other Non-major Governmental Funds. This transfer was made to move unrestricted balances to support programs and projects accounted for in other funds.

(Disclosure must include the intended purpose and amount of significant transfers that do not occur on a routine basis or are inconsistent with the activities of the fund making the transfer.)

Note 24 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2000.

B. Litigation

There are currently no matters in litigation with the School District as defendant.

Another GASB 38 requirement, if applicable to the entity:

Governments should provide details about short-term debt activity during the fiscal year, even if no short-term debt is outstanding at fiscal year end. Details should include a schedule of changes in short-term debt - beginning- and end-of-year balances, increases, and decreases - and the purpose for which the short-term debt was issued.