



**Auditor of State  
Betty Montgomery**



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Washington-Nile Local School District  
Scioto County  
15332 U.S. Highway 52  
West Portsmouth, Ohio 45663

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio, as of June 30, 2004, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund 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 May 31, 2005 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is 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 basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 31, 2005

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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As management of the Washington-Nile Local School District (the School District), we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," issued June 1999.

**Financial Highlights**

Net assets of governmental activities decreased \$260,440. This is primarily due to an increase in expenses relating to salary and benefit increases for fiscal year 2004 and capital asset depreciation and deletions for the fiscal year exceeding purchases.

Total assets of governmental activities decreased by \$552,401. Capital assets increased by \$1,357,531 due to increases in construction in progress relating to renovations of the Portsmouth West Middle School. Equity in pooled cash and cash equivalents decreased \$1,417,108 due primarily to a 3.5 percent increase in salaries and benefits during the fiscal year and cash expenditures related to the renovation project. Receivables and other current assets decreased by \$492,824 due primarily to the receipt of grant money from the Ohio School Facilities Commission relating to the Portsmouth West Middle School renovations.

General revenues accounted for \$10,094,516 in revenue or 69 percent of all total revenues. Program specific revenues in the form of charges for services, grants, and contributions accounted for \$4,478,792 or 31 percent of total revenues of \$14,573,308.

The School District had \$14,833,748 in expenses related to governmental activities; only \$4,478,792 of these expenses were offset by program specific charges for services, grants, and contributions. General revenues (primarily grants, entitlements and property taxes) of \$10,094,516 were not adequate to provide for these programs.

**Using the Basic Financial Statements**

This report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washington-Nile Local School District as a financial whole, an entire operating entity.

## **WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's major funds with all other non-major funds presented in total in one column. The major funds for the Washington-Nile Local School District are the General Fund and the Classroom Facilities Capital Projects Fund.

### **Reporting the School District as a Whole**

One of the most important questions asked about the School District is "How did we do financially during 2004?"

The *Statement of Net Assets* and the *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the School District's property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

### **Reporting the School District's Most Significant Funds**

#### **Fund Financial Statements**

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
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**Governmental Funds** - Most of the School District's activities are reported in Governmental Funds which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental Fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

**Fiduciary Funds** - The School District's Fiduciary Funds are a private purpose trust fund and two agency funds. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary Funds use the accrual basis of accounting.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2004 and 2003:

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

*For the Fiscal Year Ended June 30, 2004*

*Unaudited*

(Table 1)  
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2004	2003	
<b>Assets</b>			
Current Assets	\$5,772,398	\$7,682,330	(\$1,909,932)
Capital Assets	28,937,852	27,580,321	1,357,531
Total Assets	34,710,250	35,262,651	(552,401)
<b>Liabilities</b>			
Long-Term Liabilities	3,199,117	3,494,738	(295,621)
Other Liabilities	2,800,695	2,797,035	3,660
Total Liabilities	5,999,812	6,291,773	(291,961)
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	26,500,789	24,891,696	1,609,093
Restricted	1,277,753	2,823,754	(1,546,001)
Unrestricted	931,896	1,255,428	(323,532)
Total Net Assets	\$28,710,438	\$28,970,878	(\$260,440)

Total assets decreased by \$552,401. This was primarily due to significant decreases of \$1,417,108 and \$514,371 in equity in pooled cash and cash equivalents and intergovernmental receivables, respectively. The decrease in equity in pooled cash and cash equivalents is related to a 3.5 percent increase in salaries and benefits during the fiscal year and cash expenditures related to the renovation project. The decrease in intergovernmental receivables is due primarily to the receipt of grant money awarded from the Ohio School Facilities Commission relating to the renovation project.

Total liabilities decreased \$291,961. Current liabilities increased by \$3,660 due primarily to a decrease in contracts payable and an increase in accrued wages and benefits payable. The decrease within contracts payable is due to completion of some portions of the renovation projects by various vendors. The increase within accrued wages and benefits payable, is due to increases in salaries and wages paid to School District employees. Long-term liabilities decreased by \$295,621 due to principal payments being made during the fiscal year for the outstanding long-term obligations of the School District.

Invested in Capital Assets, Net of Related Debt for governmental activities increased by \$1,609,093 due to the net increase of current year additions and deletions exceeding current year depreciation and principal payments on outstanding debt issues being made during the fiscal year. Restricted Net Assets for governmental activities decreased by \$1,546,001 due primarily to a decrease in cash related to the renovation project. Unrestricted Net Assets for governmental activities decreased by \$323,532 due primarily to increased expenses relating to salary and benefit increases.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis*

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Table 2 shows the highlights of the School District's revenues and expenses. These two main components are subtracted to yield the change in net assets. This table uses the full accrual method of accounting.

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services, operating grants, contributions, and interest. General Revenues include property taxes, unrestricted grants, such as state foundation support, unrestricted contributions, investment earnings and miscellaneous revenues.

Expenses are shown in programs that are easily identifiable utilizing the current Uniform School Accounting System (USAS) coding structure.

(Table 2)  
Change in Net Assets

	2004	2003	Increase/ (Decrease)
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,604,220	\$1,652,241	(\$48,021)
Operating Grants, Contributions and Interest	2,739,996	2,628,988	111,008
Capital Grants and Contributions	134,576	72,104	62,472
Total Program Revenues	<u>4,478,792</u>	<u>4,353,333</u>	<u>125,459</u>
General Revenues:			
Property Taxes	1,269,048	1,187,309	81,739
Grants and Entitlements not Restricted to Specific Programs	8,747,215	8,165,869	581,346
Investment Earnings	20,307	105,246	(84,939)
Contributions and Donations	0	5,250	(5,250)
Miscellaneous	57,946	61,446	(3,500)
Total General Revenues	<u>10,094,516</u>	<u>9,525,120</u>	<u>569,396</u>
Total Revenues	<u>\$14,573,308</u>	<u>\$13,878,453</u>	<u>694,855</u>

(continued)

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
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(Table 2)  
Change in Net Assets  
(Continued)

	2004	2003	Increase/ (Decrease)
<b>Program Expenses</b>			
Instruction:			
Regular	\$6,398,944	\$5,693,002	\$705,942
Special	1,883,270	1,925,341	(42,071)
Vocational	99,990	81,319	18,671
Support Services:			
Pupils	950,229	883,241	66,988
Instructional Staff	859,084	852,144	6,940
Board of Education	58,752	46,103	12,649
Administration	946,395	1,027,777	(81,382)
Fiscal	259,203	258,571	632
Operation and Maintenance of Plant	1,356,140	1,294,584	61,556
Pupil Transportation	757,557	701,425	56,132
Operation of Non-Instructional Services -			
Food Service	675,408	474,141	201,267
Extracurricular Activities	452,725	365,764	86,961
Interest and Fiscal Charges	136,051	145,843	(9,792)
Total Expenses	<u>14,833,748</u>	<u>13,749,255</u>	<u>1,084,493</u>
Increase/(Decrease) in Net Assets	<u><u>(\$260,440)</u></u>	<u><u>\$129,198</u></u>	<u><u>(\$389,638)</u></u>

**Governmental Activities**

Program revenues increased by \$125,459, due primarily to an increase in restricted grants received from other governments. Operating grants, contributions and interest increased by \$111,008 due to an increase in several federal and State grants awarded to the School District. General revenues increased by \$569,396. Grants and Entitlements not Restricted to Specific Programs made up 60 percent of revenues for governmental activities of the Washington-Nile Local School District for fiscal year 2004. Property tax revenue made up 9 percent of the total revenue for governmental activities for a total of 69 percent of all revenue coming from property taxes and grants and entitlements not restricted to specific programs. Grants and Entitlements not Restricted to Specific Programs increased by \$581,346 due primarily to the receipt of timber royalties and an amendment increasing the award from the Ohio School Facilities Commission relating to the renovations of Portsmouth West Middle School. Investment Earnings revenue decreased by \$84,939 due to a significant decrease in the monies available to invest and a decline in interest rates earned on such monies.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
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Program expenses increased by \$1,084,493. Regular instruction comprises 43 percent of governmental program expenses. Support services expenses make up 35 percent of governmental expenses. Regular instruction increased by \$705,942 from the prior year due primarily to increases in salaries and benefits paid to School District employees.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted State aid (State Foundation) or local taxes. The difference in these two columns would represent restricted grants, fees and donations.

(Table 3)  
Governmental Activities

	Total Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2004	Net Cost of Services 2003
Instruction	\$8,382,204	\$7,699,662	\$5,275,834	\$4,919,126
Support Services	5,187,360	5,063,845	4,600,327	4,348,088
Operation of Non-				
Instructional Services	675,408	474,141	86,162	(119,986)
Extracurricular Activities	452,725	365,764	256,582	102,851
Interest and Fiscal Charges	136,051	145,843	136,051	145,843
Total Expenses	<u>\$14,833,748</u>	<u>\$13,749,255</u>	<u>\$10,354,956</u>	<u>\$9,395,922</u>

**The School District's Funds**

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All Governmental Funds had total revenues of \$15,076,133 and expenditures of \$16,486,032. The net change in fund balance for the year was most significant in the Classroom Facilities Capital Projects Fund, a decrease of \$1,004,101. This was due to the timing of the receipt of grant monies in the prior year. The School District received a large amount of grant monies in the prior year that were not expended until fiscal year 2004.

The fund balance in the General Fund decreased by \$359,853. General Fund revenues increased in fiscal year 2004 by \$34,454, due primarily to an increase in State foundation settlements. General Fund expenditures increased in fiscal year 2004 by \$476,152, due primarily to increased instruction and support services expenditures relating to the 3.5 percent salary increase given to School District employees and purchase of new textbooks within the School District.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2004  
Unaudited*

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**General Fund -- Budget Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2004, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund original and final budgeted amounts is listed on page 19, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final estimated revenues were \$10,781,163, with original estimated revenues of \$10,848,503, a difference of \$67,340. This difference of \$67,340 was due primarily to unanticipated decreases in open enrollment and basic aid.

Final estimated expenditures were \$11,020,729, with original estimated expenditures of \$11,720,473. This difference of \$699,744 was due primarily to a 15 percent increase in fringe benefits anticipated at the beginning of the fiscal year that never actually occurred.

The School District's ending actual fund balance in the General Fund was \$45,632 above the final budgeted amount.

**Capital Assets**

At the end of fiscal year 2004 the School District had \$28,937,852 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks and software. Table 4 shows fiscal year 2004 balances compared to 2003:

(Table 4)  
Capital Assets at June 30  
(Net of Depreciation)

	Governmental Activities	
	2004	2003
Land	\$1,743,109	\$1,743,109
Construction in Progress	2,321,363	468,276
Land Improvements	401,236	358,269
Buildings and Improvements	21,369,446	21,846,617
Furniture, Fixtures and Equipment	2,352,862	2,436,440
Vehicles	506,996	468,121
Textbooks and Software	242,840	259,489
Totals	<u>\$28,937,852</u>	<u>\$27,580,321</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
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Net Capital Assets increased from the prior year. The primary increase occurred in construction progress relating to the renovations of the Portsmouth West Middle School. Decreases within buildings and improvements, furniture, fixtures and equipment, and textbooks and software occurred from the prior year due to depreciation and deletions exceeding purchases.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

**Debt**

At June 30, 2004, the School District had a \$34,531 EPA Asbestos loan outstanding, in of which \$5,312 is due within one year, \$1,427,496 in bonds outstanding, in of which \$115,000 is due within one year, and \$81,550 in notes outstanding, in of which \$23,300 is due within one year. The School District also had an outstanding premium on the debt issue of \$103,682, a discount on the debt issue of \$656, and capital lease obligations of \$1,087,571, in of which \$135,156 is due within one year. Table 5 summarizes the outstanding debt:

(Table 5)  
Outstanding Debt, at Year End  
Governmental Activities

	2004	2003
1993 EPA Asbestos Loan	\$34,531	\$39,843
1994 Classroom Facilities General Obligation Bonds	0	75,000
2001 Refunding Classroom Facilities Serial Bonds	1,265,000	1,300,000
Original Issue on Capital Appreciation Bonds	109,942	109,942
Accretion on Capital Appreciation Bonds	52,554	32,652
Premium on Debt Issue	103,682	118,671
Discount on Debt Issue	(656)	(765)
1997 Promissory Note HB 264	81,550	104,850
Capital Lease	1,087,571	1,216,767
Totals	<u>\$2,734,174</u>	<u>\$2,996,960</u>

*EPA Asbestos Loan* - In 1993, Washington-Nile Local School District obtained a loan in the amount of \$95,619 for the purpose of providing asbestos removal. The loan was issued for an eighteen year period with final maturity during fiscal year 2011. The loan is interest free and will be retired from the Debt Service Fund.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

*Management's Discussion and Analysis  
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Unaudited*

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*1994 Classroom Facilities Bonds* - In 1994, the School District issued \$2,032,351 in voted general obligation bonds for the purpose of constructing a new high school and elementary school, with renovations to the middle school. The bonds were issued for a twenty-three year period with final maturity at December 1, 2016. Bonds with a maturity of 2004 through 2016 were advance refunded. During the fiscal year, the remaining balance of \$75,000 was paid off.

*2001 Classroom Facilities Bonds* - On July 1, 2001, the School District issued \$1,464,942 in General Obligation Bonds to advance refund \$1,465,000 of outstanding 1994 Classroom Facilities General Obligation Bonds with an interest rate of 5.8% to 6.45%. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively, with interest rates ranging from 3.30% to 5.00%. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013. The maturity amount of the capital appreciation bonds is \$145,000 in fiscal year 2011, \$140,000 in fiscal year 2012, and \$140,000 in fiscal year 2013, for a total of \$425,000. For fiscal year 2004, the capital appreciation bonds were accreted \$52,554. Issuance costs associated with the bond issue will be amortized over the term of the bonds.

The School District received proceeds of \$1,612,608, which included a net premium of \$147,666. \$1,568,098 of the proceeds (after payment of \$45,154 in underwriting fees, insurance, accrued interest and other issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Classroom Facilities General Obligation Bonds. As a result, the 1994 Classroom Facilities General Obligation Bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. As of June 30, 2004, the 1994 bond issue has been fully paid.

*1997 Promissory Note H. B. 264* - On July 23, 1997, the School District issued a ten year \$233,000 note for the purpose of implementing energy conservation measures under the provisions of H.B. 264 at the middle school. This note is backed by the full faith and credit of the School District and the note will be repaid with general revenues from the Debt Service Fund.

The School District's overall legal debt margin was \$4,327,509 with an unvoted debt margin of \$60,640, and an Energy Conservation debt margin of \$511,225 at June 30, 2004.

For more detailed information on debt, refer to Note 15 in the notes to the basic financial statements.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional information contact Sherry Patterson, Treasurer at Washington-Nile Local School District, 15332 U.S. Hwy 52, West Portsmouth, Ohio 45663 or e-mail at sloakes@west.k12.oh.us.



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$4,034,591
Cash and Cash Equivalents with Fiscal Agents	21,879
Materials and Supplies Inventory	25,668
Accrued Interest Receivable	14,029
Accounts Receivable	17,421
Intergovernmental Receivable	227,150
Prepaid Items	112,403
Property Taxes Receivable	1,290,236
Deferred Charges	29,021
Capital Assets:	
Land	1,743,109
Construction in Progress	2,321,363
Depreciable Capital Assets, Net	<u>24,873,380</u>
<i>Total Assets</i>	<u>34,710,250</u>
<b><u>Liabilities:</u></b>	
Accounts Payable	67,448
Contracts Payable	126,401
Accrued Wages and Benefits Payable	1,130,069
Intergovernmental Payable	337,625
Retainage Payable	34,717
Deferred Revenue	1,097,996
Accrued Interest Payable	6,439
Long-Term Liabilities:	
Due Within One Year	352,408
Due in More Than One Year	<u>2,846,709</u>
<i>Total Liabilities</i>	<u>5,999,812</u>
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	26,500,789
Restricted for Debt Service	118,788
Restricted for Capital Projects	884,073
Restricted for Other Purposes	253,271
Restricted for Set-Asides	21,621
Unrestricted	<u>931,896</u>
<i>Total Net Assets</i>	<u><u>\$28,710,438</u></u>

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
<b><u>Governmental Activities:</u></b>					
Instruction:					
Regular	\$6,398,944	\$928,787	\$807,281	\$0	(\$4,662,876)
Special	1,883,270	155,211	1,197,523	0	(530,536)
Vocational	99,990	0	17,568	0	(82,422)
Support Services:					
Pupils	950,229	0	134,925	37,675	(777,629)
Instructional Staff	859,084	0	234,235	0	(624,849)
Board of Education	58,752	0	0	0	(58,752)
Administration	946,395	0	53,326	0	(893,069)
Fiscal	259,203	0	0	0	(259,203)
Operation and Maintenance of Plant	1,356,140	1,776	0	20,937	(1,333,427)
Pupil Transportation	757,557	1,018	27,177	75,964	(653,398)
Operation of Non-Instructional Services -					
Food Service	675,408	321,285	267,961	0	(86,162)
Extracurricular Activities	452,725	196,143	0	0	(256,582)
Interest and Fiscal Charges	136,051	0	0	0	(136,051)
<b>Total Governmental Activities</b>	<b>\$14,833,748</b>	<b>\$1,604,220</b>	<b>\$2,739,996</b>	<b>\$134,576</b>	<b>(10,354,956)</b>
<b><u>General Revenues:</u></b>					
Property Taxes Levied for:					
General Purposes					1,065,392
Other Purposes					23,113
Debt Service					180,543
Grants and Entitlements not					
Restricted to Specific Programs					8,747,215
Investment Earnings					20,307
Miscellaneous					57,946
<b>Total General Revenues</b>					<b>10,094,516</b>
Change in Net Assets					(260,440)
<b>Net Assets Beginning of Year</b>					<b>28,970,878</b>
<b>Net Assets End of Year</b>					<b>\$28,710,438</b>

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>				
Equity in Pooled Cash and Cash Equivalents	\$2,232,546	\$664,302	\$1,088,562	\$3,985,410
Cash and Cash Equivalents with Escrow Agent	0	21,879	0	21,879
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	49,181	0	0	49,181
Receivables:				
Property Taxes	1,083,819	0	206,417	1,290,236
Accounts	11,726	400	5,295	17,421
Intergovernmental	30,863	77,173	119,114	227,150
Accrued Interest	14,029	0	0	14,029
Prepaid Items	112,188	0	215	112,403
Materials and Supplies Inventory	17,615	0	8,053	25,668
<b>Total Assets</b>	<b>\$3,551,967</b>	<b>\$763,754</b>	<b>\$1,427,656</b>	<b>\$5,743,377</b>
<b><u>Liabilities and Fund Balances:</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	\$45,362	\$644	\$21,442	\$67,448
Contracts Payable	0	126,401	0	126,401
Accrued Wages and Benefits Payable	862,120	0	267,949	1,130,069
Intergovernmental Payable	199,747	0	39,510	239,257
Retainage Payable	0	34,717	0	34,717
Deferred Revenue	1,031,478	70,917	193,655	1,296,050
<b>Total Liabilities</b>	<b>2,138,707</b>	<b>232,679</b>	<b>522,556</b>	<b>2,893,942</b>
<b><u>Fund Balances:</u></b>				
Reserved for Encumbrances	93,712	524,228	33,205	651,145
Reserved for Property Taxes	64,876	0	12,762	77,638
Reserved for Textbooks and Instructional Materials	21,621	0	0	21,621
Reserved for Bus Purchases	27,560	0	0	27,560
Unreserved, Undesignated, Reported in:				
General Fund	1,205,491	0	0	1,205,491
Special Revenue Funds	0	0	379,827	379,827
Debt Service Fund	0	0	233,561	233,561
Capital Projects Funds	0	6,847	245,745	252,592
<b>Total Fund Balances</b>	<b>1,413,260</b>	<b>531,075</b>	<b>905,100</b>	<b>2,849,435</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,551,967</b>	<b>\$763,754</b>	<b>\$1,427,656</b>	<b>\$5,743,377</b>

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**  
 Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 June 30, 2004

**Total Governmental Fund Balances** \$2,849,435

*Amounts reported for governmental activities in the  
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	1,743,109	
Construction in progress	2,321,363	
Other capital assets	33,677,298	
Accumulated depreciation	(8,803,918)	
Total capital assets	28,937,852	28,937,852

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	114,602	
Intergovernmental	70,917	
Interest	9,717	
Accounts	2,818	
	198,054	198,054

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (98,368)

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 29,021

Amortization of the deferred loss on early retirement is not reported in the funds, but is allocated as an expense over the life of the debt on a full accrual basis. 77,323

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds, loans, and notes payable	(1,543,577)	
Discount on debt issue	656	
Premium on debt issue	(103,682)	
Accrued interest on bonds	(6,439)	
Capital leases	(1,087,571)	
Compensated absences	(542,266)	
Total liabilities	(3,282,879)	(3,282,879)

**Net Assets of Governmental Activities** \$28,710,438

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>				
Property Taxes	\$1,067,690	\$0	\$204,054	\$1,271,744
Intergovernmental	8,517,809	1,107,033	2,474,596	12,099,438
Interest	12,755	8,159	3,752	24,666
Tuition and Fees	1,068,211	0	0	1,068,211
Extracurricular Activities	0	0	196,143	196,143
Customer Sales and Services	17,563	0	321,285	338,848
Contributions and Donations	0	0	20,937	20,937
Miscellaneous	50,283	700	5,163	56,146
<i>Total Revenues</i>	<u>10,734,311</u>	<u>1,115,892</u>	<u>3,225,930</u>	<u>15,076,133</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	5,217,490	0	807,518	6,025,008
Special	876,765	0	894,929	1,771,694
Vocational	91,143	0	0	91,143
Support Services:				
Pupils	665,491	63,547	190,633	919,671
Instructional Staff	548,294	0	231,828	780,122
Board of Education	58,637	0	0	58,637
Administration	890,180	644	55,099	945,923
Fiscal	243,015	0	0	243,015
Operation and Maintenance of Plant	1,210,574	0	42,781	1,253,355
Pupil Transportation	771,548	0	657	772,205
Operation of Non-Instructional Services - Food Service	41,644	0	618,639	660,283
Extracurricular Activities	136,415	0	265,223	401,638
Capital Outlay	90,202	2,069,130	14,964	2,174,296
Debt Service:				
Principal Retirement	0	0	267,808	267,808
Interest and Fiscal Charges	0	0	121,234	121,234
<i>Total Expenditures</i>	<u>10,841,398</u>	<u>2,133,321</u>	<u>3,511,313</u>	<u>16,486,032</u>
Excess of Revenues Over/(Under) Expenditures	<u>(107,087)</u>	<u>(1,017,429)</u>	<u>(285,383)</u>	<u>(1,409,899)</u>
<b><u>Other Financing Sources/(Uses):</u></b>				
Proceeds from Sale of Capital Assets	10,060	0	0	10,060
Transfers In	0	13,328	249,535	262,863
Transfers Out	(262,826)	0	(37)	(262,863)
<i>Total Other Financing Sources/(Uses)</i>	<u>(252,766)</u>	<u>13,328</u>	<u>249,498</u>	<u>10,060</u>
<i>Net Change in Fund Balances</i>	<u>(359,853)</u>	<u>(1,004,101)</u>	<u>(35,885)</u>	<u>(1,399,839)</u>
<i>Fund Balances Beginning of Year</i>	<u>1,773,113</u>	<u>1,535,176</u>	<u>940,985</u>	<u>4,249,274</u>
<i>Fund Balances End of Year</i>	<u>\$1,413,260</u>	<u>\$531,075</u>	<u>\$905,100</u>	<u>\$2,849,435</u>

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**  
 Reconciliation of the Statement of Revenues, Expenditures  
 and Changes in Fund Balances of Governmental Funds  
 to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

**Net Change in Fund Balances - Total Governmental Funds** (\$1,399,839)

***Amounts reported for governmental activities in the statement of activities are different because:***

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital asset additions	364,992	
Construction in progress additions	2,039,888	
Depreciation expense	<u>(1,020,270)</u>	
Excess of capital outlay over depreciation expense		1,384,610

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital asset account in the statement of net assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the statement of activities.

Proceeds from the sale of capital assets	(10,060)	
Loss on disposal of capital assets	<u>(17,019)</u>	
		(27,079)

Because some revenues will not be collected for several months after the School District's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.

Delinquent property taxes	(2,696)	
Intergovernmental	(498,947)	
Interest	(4,000)	
Customer Sales and Service	1,018	
Miscellaneous	<u>1,800</u>	
		(502,825)

Amortization of bond issuance costs, bond premiums, bond discounts, the deferred loss on early retirement, as well as accrued interest payable and accretion on the bonds is not reported in the funds, but is allocated as an expense over the life of the debt on a full accrual basis.

Amortization of bond issuance costs	(2,233)	
Amortization of bond premium	14,989	
Amortization of bond discount	(109)	
Amortization of deferred loss on early retirement	(8,592)	
Decrease in accrued interest payable	1,030	
Accretion on bonds	<u>(19,902)</u>	
		(14,817)

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Loan principal retirements	5,312	
Bond payments	110,000	
Note payments	23,300	
Capital lease payments	<u>129,196</u>	
Total long-term debt repayment		267,808

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Decrease in compensated absences payable	41,427	
Increase in intergovernmental payable	<u>(9,725)</u>	
Total (increase)/decrease		<u>31,702</u>

**Change in Net Assets of Governmental Activities** (\$260,440)

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**  
Statement of Revenues, Expenditures and  
Changes in Fund Balance - Budget and Actual (Budget Basis)  
General Fund  
For the Fiscal Year Ended June 30, 2004

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<b><u>Revenues:</u></b>				
Property Taxes	\$1,147,000	\$1,275,742	\$1,084,627	(\$191,115)
Intergovernmental	8,538,849	8,366,266	8,533,627	167,361
Interest	55,623	54,499	55,589	1,090
Tuition and Fees	1,066,763	1,045,202	1,066,110	20,908
Customer Sales and Services	15,796	15,477	15,787	310
Miscellaneous	24,472	23,977	24,457	480
<i>Total Revenues</i>	<u>10,848,503</u>	<u>10,781,163</u>	<u>10,780,197</u>	<u>(966)</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	5,450,353	5,118,479	5,204,812	(86,333)
Special	921,997	865,552	885,236	(19,684)
Vocational	95,476	89,622	91,803	(2,181)
Support Services:				
Pupils	674,890	633,623	647,193	(13,570)
Instructional Staff	600,564	564,538	565,003	(465)
Board of Education	102,695	97,228	85,735	11,493
Administration	960,483	902,014	916,973	(14,959)
Fiscal	261,228	245,468	247,167	(1,699)
Operation and Maintenance of Plant	1,379,725	1,299,365	1,260,295	39,070
Pupil Transportation	946,724	896,944	780,701	116,243
Operation of Non-Instructional Services -				
Food Service	43,788	41,103	42,103	(1,000)
Extracurricular Activities	163,185	153,180	156,908	(3,728)
Capital Outlay	119,365	113,613	90,202	23,411
<i>Total Expenditures</i>	<u>11,720,473</u>	<u>11,020,729</u>	<u>10,974,131</u>	<u>46,598</u>
Excess of Revenues Over/(Under) Expenditures	<u>(871,970)</u>	<u>(239,566)</u>	<u>(193,934)</u>	<u>45,632</u>
<b><u>Other Financing Sources/(Uses):</u></b>				
Proceeds from Sale of Fixed Assets	10,060	10,060	10,060	0
Transfers In	37,211	37,211	0	(37,211)
Transfers Out	(300,037)	(300,037)	(262,826)	37,211
Advances In	2,949	2,949	2,949	0
<i>Total Other Financing Sources/(Uses)</i>	<u>(249,817)</u>	<u>(249,817)</u>	<u>(249,817)</u>	<u>0</u>
Net Change in Fund Balance	(1,121,787)	(489,383)	(443,751)	45,632
Fund Balances at Beginning of Year	2,316,500	2,316,500	2,316,500	0
Prior Year Encumbrances Appropriated	307,322	307,322	307,322	0
Fund Balances at End of Year	<u>\$1,502,035</u>	<u>\$2,134,439</u>	<u>\$2,180,071</u>	<u>\$45,632</u>

See accompanying notes to the basic financial statements

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private Purpose Trust	Agency
	<hr/>	<hr/>
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$61,891	\$32,842
Receivables:		
Accrued Interest	124	0
	<hr/>	<hr/>
<i>Total Assets</i>	62,015	\$32,842
	<hr/>	<hr/>
<b><u>Liabilities:</u></b>		
Undistributed Monies	0	\$14,145
Deposits Held and Due to Others	0	18,697
	<hr/>	<hr/>
<i>Total Liabilities</i>	0	\$32,842
	<hr/>	<hr/>
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	\$62,015	
	<hr/>	

See accompanying notes to the basic financial statements



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<b><u>Additions:</u></b>	
Interest	\$1,651
Gifts and Donations	<u>12,775</u>
<i>Total Additions</i>	14,426
<b><u>Deductions:</u></b>	
Scholarships	<u>12,699</u>
<i>Change in Net Assets</i>	1,727
<i>Net Assets Beginning of Year</i>	<u>60,288</u>
<i>Net Assets End of Year</i>	<u><u>\$62,015</u></u>

See accompanying notes to the basic financial statements

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**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Washington-Nile Local 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 federal guidelines.

The School District serves an area of approximately 68 square miles. It is located in Scioto County and is composed of the boundaries of Washington and Nile Townships. It is staffed by 68 non-certificated employees, 122 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,680 students and other community members. The School District currently operates three 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-Nile Local 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. The School District has no component units.

The School District participates in six organizations, three of which are defined as jointly governed organizations, two as public entity shared risk pools, and one as an insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Schools of Ohio Risk Sharing Authority, Inc., and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17, 18 and 19, to the basic financial statements.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Washington-Nile Local 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 activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

**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 statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type activities, however, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 governmental function is self-financing or draws from the general revenues of the School District.

*Fund Financial Statements*

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into 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 fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary Funds are reported by type.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. All funds of the School District fall within two categories: governmental and fiduciary.

*Governmental Funds:*

Governmental Funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable 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 following are the School District's major Governmental Funds:

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

Ohio School Facilities Commission Capital Projects Fund – To account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

The other Governmental Funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

*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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students, an agency fund used to account for student activity programs, and an agency fund used to account for the Pilasco-Ross Special Education Regional Resource Center.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**C. Measurement Focus**

*Government-wide Financial Statements*

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total 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 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.

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 and the financial statements of the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

*Revenues - Exchange and Nonexchange 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 that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the 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 year-end: property taxes available for advance, tuition and fees, certain grants, and accrued interest.

*Deferred Revenue*

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 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.

*Expenses/Expenditures*

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 the governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

**E. Cash and Cash Equivalents**

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

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

During fiscal year 2004, the School District's investments were limited to nonnegotiable certificates of deposit, Federal Home Loan Bank Construction Bonds, Federal National Mortgage Association Bonds, and the State Treasury Assets Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$12,755, which includes \$3,362 from other School District funds.

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 reported on the financial statements as Cash and Cash Equivalents.

**F. Restricted Assets**

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials and revenues restricted for bus purchases. See Note 20 for additional information regarding set-asides.

**G. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of materials and supplies held for consumption and donated and purchased food.

**H. Capital Assets**

All capital assets of the School District are general capital assets. General capital assets are those assets specifically related to governmental activities. 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 in the fund financial statements.



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred 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.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	10 - 50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years
Textbooks and Software	5 years

**I. 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 termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

**J. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds**

Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each year for the compounded interest accrued during the year. Bond premiums and discounts and the compounded interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

The accounting gain/loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**K. Accrued Liabilities and Long-Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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, compensated absences 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 in the current year. Loans, long-term notes, bonds, and capital leases that will be paid from governmental funds are recognized as an expenditure and liability in the governmental fund financial statements when due.

**L. Fund Balance Reserves**

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 encumbrances, property taxes, textbooks and instructional materials, and bus purchases.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**M. 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. Net assets restricted for other purposes include activities for food service, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**N. 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 in the financial statements and accompanying notes. Actual results may differ from those estimates.

**O. Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

The certificate of estimated resources may be 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 certificate when the original appropriations were adopted. The amounts reported in the final column of the budgetary statements reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts 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 represent the final appropriation amounts passed by the Board during the year, including all supplemental appropriations.

**P. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the year in which services are consumed.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Q. Interfund Transactions**

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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

**NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES**

For fiscal year 2004, the School District has implemented GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*”. This Statement further defines the guidelines of GASB Statement No. 14, “*The Financial Reporting Entity*”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2004.

For fiscal year 2004, the School District changed its method of calculating compensated absences from the vesting method to the termination method.

**NOTE 4 – ACCOUNTABILITY**

At June 30, 2004, the Disadvantaged Pupil Impact Aid, the Summer Intervention, the Alternative School Challenge Grant, the Miscellaneous State Grants, the Title V - Innovative Programs, and the Title IV-A Safe and Drug Free Schools Grant Special Revenue Funds had deficit fund balances of \$16,647, \$376, \$9,697, \$63, \$26, and \$1,026, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 5 – BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances 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 Fund Balance - Budget and Actual (Budget Basis) – 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 GAAP basis are that:

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).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	(\$359,853)
Adjustments:	
Revenue Accruals	13,196
Expenditure Accruals	10,811
Encumbrances	(143,544)
Advances	2,949
Net Decrease in Fair Value	
of Investments - Fiscal Year 2003	(9,198)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2004	41,888
Budget Basis	<u><u>(\$443,751)</u></u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**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.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five 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 accounts, including passbook accounts.

Protection of 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 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 payment of 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 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 two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 6 - DEPOSITS AND INVESTMENTS** (Continued)

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;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment 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 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.

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

*Deposits:* At fiscal year-end, the carrying amount of the School District's deposits was \$1,263,937 and the bank balance was \$1,477,544. Of the bank balance, \$198,257 was covered by federal depository insurance and \$1,279,287 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 could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 6 - DEPOSITS AND INVESTMENTS** (Continued)

*Investments:* The School District's investments are required to be 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 or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which 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 investments in STAROhio, an investment pool operated by the Ohio State Treasurer, are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
U.S. Government Securities:			
Federal Home Loan Bank			
Construction Bonds	\$1,231,203	\$0	\$1,231,203
Federal National Mortgage			
Association Bonds	833,659	0	833,659
STAROhio	0	822,404	822,404
Total Investments	<u>\$2,064,862</u>	<u>\$822,404</u>	<u>\$2,887,266</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." A reconciliation between the classifications of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash</u>	
	<u>Equivalents / Deposits</u>	<u>Investments</u>
GASB Statements No. 9	\$4,151,203	\$0
Investments:		
Federal Home Loan Bank		
Construction Bonds	(1,231,203)	1,231,203
Federal National Mortgage		
Association Bonds	(833,659)	833,659
STAROhio	(822,404)	822,404
GASB Statements No. 3	<u>\$1,263,937</u>	<u>\$2,887,266</u>



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 7 – PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 7 – PROPERTY TAXES** (Continued)

The amount available as an advance at June 30, 2004, was \$64,876 in the General Fund, \$1,429 in the Classroom Facilities Special Revenue Fund, and \$11,333 in the Debt Service Fund. The amount available as an advance at June 30, 2003, was \$81,813 in the General Fund, \$1,801 in the Classroom Facilities Special Revenue Fund, and \$14,291 in the Debt Service Fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$53,660,950	90.23%	\$55,246,030	91.11%
Public Utility	3,729,290	6.27%	3,712,230	6.12%
Tangible Personal Property	2,082,020	3.50%	1,681,264	2.77%
Total Assessed Value	<u>\$59,472,260</u>	<u>100.00%</u>	<u>\$60,639,524</u>	<u>100.00%</u>
Tax rate per \$1,000 of Assessed Valuation	\$34.68		\$34.68	

**NOTE 8 – RECEIVABLES**

Receivables at June 30, 2004, consisted of property taxes, accounts, intergovernmental grants, and accrued interest. All receivables are considered collectible in full and will be received within one year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities:	
Title I	\$96,617
Ohio School Facilities Commission	77,173
Excess Cost Reimbursement	30,863
Title II - A, Improving Teacher Quality	16,265
Title VI - B, Special Education, Part B - IDEA	4,762
Title IV - A, Safe and Drug Free Schools	1,470
Total Intergovernmental Receivables	<u>\$227,150</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

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**NOTE 8 – RECEIVABLES** (Continued)

During fiscal year 2001, the School District was awarded \$3,428,983 for the renovation of current facilities under the State’s “Classroom Facilities Program.” As of June 30, 2004, the School District had received \$3,351,810 of the amount awarded under this program.

**NOTE 9 - CAPITAL ASSETS**

Capital assets activity for the fiscal year ended June 30, 2004, was as follows:

	Balance at 6/30/03	Additions	Deductions	Balance at 6/30/04
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,743,109	\$0	\$0	\$1,743,109
Construction in Progress	468,276	2,039,888	(186,801)	2,321,363
Total Capital Assets Not Being Depreciated	<u>2,211,385</u>	<u>2,039,888</u>	<u>(186,801)</u>	<u>4,064,472</u>
Capital Assets Being Depreciated:				
Land Improvements	434,741	57,415	0	492,156
Buildings and Improvements	26,237,917	35,682	0	26,273,599
Furniture, Fixtures and Equipment	4,385,652	223,877	(42,542)	4,566,987
Vehicles	1,285,076	137,605	(155,692)	1,266,989
Textbooks and Software	1,021,900	97,214	(41,547)	1,077,567
Total Capital Assets Being Depreciated	<u>33,365,286</u>	<u>551,793</u>	<u>(239,781)</u>	<u>33,677,298</u>
Less Accumulated Depreciation:				
Land Improvements	(76,472)	(14,448)	0	(90,920)
Building and Improvements	(4,391,300)	(512,853)	0	(4,904,153)
Furniture, Fixtures and Equipment	(1,949,212)	(296,870)	31,957	(2,214,125)
Vehicles	(816,955)	(83,358)	140,320	(759,993)
Textbooks and Software	(762,411)	(112,741)	40,425	(834,727)
Total Accumulated Depreciation	<u>(7,996,350)</u>	<u>(1,020,270) *</u>	<u>212,702</u>	<u>(8,803,918)</u>
Total Capital Assets Being Depreciated, Net	<u>25,368,936</u>	<u>(468,477)</u>	<u>(27,079)</u>	<u>24,873,380</u>
Governmental Activities Capital Assets, Net	<u>\$27,580,321</u>	<u>\$1,571,411</u>	<u>(\$213,880)</u>	<u>\$28,937,852</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 9 - CAPITAL ASSETS** (Continued)

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$437,323
Special	102,554
Vocational	9,406
Support Services:	
Pupils	32,538
Instructional Staff	108,110
Administration	43,187
Fiscal	10,334
Operation and Maintenance of Plant	62,718
Pupil Transportation	89,623
Operation of Non-Instructional	
Services - Food Service	49,279
Extracurricular Activities	75,198
Total Depreciation Expense	<u>\$1,020,270</u>

**NOTE 10 – RISK MANAGEMENT**

During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Schools of Ohio Risk Sharing Authority (SORSA), a non-profit, public entity shared risk pool. SORSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into a yearly agreement with SORSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to SORSA. Upon termination from SORSA, the School District shall have no obligation nor receive any benefit. (See Note 18). The types and amounts of coverage provided by the Schools of Ohio Risk Sharing Authority during fiscal year 2004 are as follows:

Building and Contents (including Boiler and Machinery) and Inland Marine Coverage - replacement cost (\$1,000 deductible)	\$39,906,547
Earthquake Limit (\$100,000 deductible)	\$1,000,000
Flood Limit (\$100,000 deductible)	\$1,000,000
Equipment Breakdown (\$2,500 deductible)	\$25,000,000
Commercial Auto Coverage:	
Liability	\$1,000,000
Auto Medical	\$5,000
Uninsured Motorists Coverage	\$50,000
Comprehensive (\$1,000 deductible)	Actual Cash Value

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 10 – RISK MANAGEMENT** (Continued)

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	\$1,000,000
Products - Completed Operations Limit	\$1,000,000
General Aggregate Limit	\$3,000,000
Fire Legal Liability	\$500,000
Medical Expense - Per Person Limit	\$1,000
Medical Expense - Annual Aggregate	\$5,000
Errors and Omissions Cover - Per Occurrence	\$1,000,000
Errors and Omissions Cover - Annual Aggregate	\$1,000,000

Automobile Liability:

Owned / Leased Vehicles	\$1,000,000
Medical Payments - Occurrence	\$1,000
Medical Payments - Aggregate	\$5,000
Uninsured Motorist	\$50,000
Physical Damage	\$100,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant increase in general liability coverage from last year.

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 18), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating School Districts is calculated as one experience and a common premium rate is applied to all School Districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 10 – RISK MANAGEMENT** (Continued)

This “equity pooling” arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP’s selection criteria. The firm of Shakely Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP.

**NOTE 11 – DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$154,351, \$137,104, and \$85,506, respectively; 52.64 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$73,099 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System of Ohio**

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio web site at [www.strsoh.org](http://www.strsoh.org).

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 11 – DEFINED BENEFIT PENSION PLANS** (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned - compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$791,490, \$786,729, and \$496,629, respectively; 82.60 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$2,704 made by the School District and \$2,645 made by the plan members.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 11 - DEFINED BENEFIT PENSION PLANS** (Continued)

**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. As of June 30, 2004, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 – POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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 obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$60,884 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 12 – POSTEMPLOYMENT BENEFITS** (Continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. 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 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$106,684.

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 the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**NOTE 13 – EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and ten month administrators do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for teachers, administrators and classified non-union. Classified union may accumulate up to a maximum of 220 days.

Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51 days for teachers, administrators, and classified nonunion employees and 47 days for classified union employees. As a further incentive to minimize sick leave use, the Board will pay an additional eight days of bonus retirement pay beyond the cap, if in the year of retirement, the employee has used less than eight days of sick leave and has the maximum sick leave accumulation.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 13 – EMPLOYEE BENEFITS** (Continued)

**B. Insurance**

The School District provides its teachers, administrators and classified nonunion employees with life insurance through SunLife and vision benefits through Vision Service Plan. Classified union employees are provided a health care plan through their union, The Public Employees of Ohio Teamsters Local Union No. 92.

**C. Deferred Compensation**

School District employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan was created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

**NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE**

The capital lease obligation relates to the construction of the high school athletic stadium complex. The School District entered into this lease on March 30, 2001. As part of the agreement, Oak Hill Bank, as lessor, deposited \$1,500,000 in the School District's savings account, to construct the athletic stadium complex. Amounts have been paid to contractors by the School District as the work has progressed. The stadium has been capitalized as buildings and improvements on the statement of net assets for governmental activities in the amount of \$2,081,752. The remaining \$581,752 necessary to complete the construction was provided by the School District. Principal payments in fiscal year 2004 totaled \$129,196.

The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "*Accounting for Leases*," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Buildings and Improvements	<u>\$2,081,752</u>	<u>(\$75,980)</u>	<u>\$2,005,772</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 14 – CAPITAL LEASES - LESSEE DISCLOSURE** (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2005	\$182,210
2006	182,066
2007	181,916
2008	181,759
2009	181,594
2010-2011	<u>362,663</u>
Total	1,272,208
Less: Amount Representing Interest	<u>(184,637)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$1,087,571</u></u>

**NOTE 15 - LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during the fiscal year 2004 were as follows:

	<u>Principal Outstanding 6/30/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/04</u>	<u>Amounts Due in One Year</u>
<b>Governmental Activities:</b>					
1993 EPA Asbestos					
Loan 0.00%	\$39,843	\$0	\$5,312	\$34,531	\$5,312
1994 Classroom Facilities					
General Obligation					
Bonds 5.8% to 6.45%	75,000	0	75,000	0	0
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	1,300,000	0	35,000	1,265,000	115,000
Original Issue Capital					
Appreciation Bonds	109,942	0	0	109,942	0
Accretion on Capital					
Appreciation Bonds	32,652	19,902	0	52,554	0
Premium on Debt Issue	118,671	0	14,989	103,682	0
Discount on Debt Issue	(765)	0	(109)	(656)	0
Deferred Loss on Early Retirement	(85,915)	0	(8,592)	(77,323)	0
1997 Promissory Note					
HB 264 - 5.36%	104,850	0	23,300	81,550	23,300
Capital Leases	1,216,767	0	129,196	1,087,571	135,156
Compensated Absences	583,693	71,342	112,769	542,266	73,640
Total Governmental Activities					
Long-Term Obligations	<u>\$3,494,738</u>	<u>\$91,244</u>	<u>\$386,865</u>	<u>\$3,199,117</u>	<u>\$352,408</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 15 – LONG-TERM OBLIGATIONS** (Continued)

*EPA Asbestos Loan* - In 1993, the Washington-Nile Local School District obtained a loan in the amount of \$95,619 for the purpose of providing asbestos removal. The loan was issued for an eighteen year period with final maturity during fiscal year 2011. The loan is interest free and will be retired from the Debt Service Fund.

*1994 Classroom Facilities Bonds* - In 1994, the School District issued \$2,032,351 in voted general obligation bonds for the purpose of constructing a new high school and elementary school, with renovations to the middle school. The bonds were issued for a twenty-three year period with final maturity at December 1, 2016. Bonds with a maturity of 2004 through 2016 were advance refunded. During the fiscal year, the remaining balance of \$75,000 was paid off.

*2001 Classroom Facilities Bonds* - On July 1, 2001, the School District issued \$1,464,942 in General Obligation Bonds to advance refund \$1,465,000 of outstanding 1994 Classroom Facilities General Obligation Bonds with an interest rate of 5.8% to 6.45%. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively, with interest rates ranging from 3.30% to 5.00%. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013. The maturity amount of the capital appreciation bonds is \$145,000 in fiscal year 2011, \$140,000 in fiscal year 2012, and \$140,000 in fiscal year 2013, for a total of \$425,000. For fiscal year 2004, the capital appreciation bonds were accreted \$52,554. Issuance costs associated with the bond issue will be amortized over the term of the bonds.

The School District received proceeds of \$1,612,608, which included a net premium of \$147,666. \$1,568,098 of the proceeds (after payment of \$45,154 in underwriting fees, insurance, accrued interest and other issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Classroom Facilities General Obligation Bonds. As a result, the 1994 Classroom Facilities General Obligation Bonds are considered to be defeased and the liability for these bonds has been removed from the financial statements. As of June 30, 2004, the 1994 bond issue has been fully paid.

*1997 Promissory Note H. B. 264* - On July 23, 1997, the School District issued a ten year \$233,000 note for the purpose of implementing energy conservation measures under the provisions of H.B. 264 at the middle school. This note is backed by the full faith and credit of the School District and the note will be repaid with general revenues from the Debt Service Fund.

Capital leases will be paid from the Debt Service Fund. Compensated absences will be paid from the General Fund and the Food Service, Disadvantaged Pupil Impact Aid, Title I, and Title II-A Special Revenue Funds.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 15 – LONG-TERM OBLIGATIONS** (Continued)

The School District’s overall legal debt margin was \$4,327,509 with an unvoted debt margin of \$60,640, and an Energy Conservation debt margin of \$511,225 at June 30, 2004.

Principal and interest requirements to retire the 2001 general obligation debt outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Serial Bonds		Capital Appreciation		Total
	Principal	Interest	Bonds Principal	Bonds Interest	
2005	\$115,000	\$52,748	\$0	\$0	\$167,748
2006	120,000	48,398	0	0	168,398
2007	125,000	43,680	0	0	168,680
2008	130,000	38,610	0	0	168,610
2009	135,000	33,143	0	0	168,143
2010-2014	280,000	121,437	109,942	315,058	826,437
2015-2017	360,000	22,779	0	0	382,779
Total	<u>\$1,265,000</u>	<u>\$360,795</u>	<u>\$109,942</u>	<u>\$315,058</u>	<u>\$2,050,795</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

Principal requirements to retire EPA Asbestos Loan outstanding at June 30, 2004, are as follows:

<u>EPA Asbestos Loan - 1992</u>	
Fiscal year Ending June 30,	Principal
2005	\$5,312
2006	5,312
2007	5,312
2008	5,312
2009	5,312
2010-2011	7,971
Total	<u>\$34,531</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

**NOTE 15 – LONG-TERM OBLIGATIONS** (Continued)

Principal requirements to retire H. B. 264 Promissory Note outstanding at June 30, 2004, are as follows:

H. B. Promissory Note - 1997			
Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$23,300	4,006	27,306
2006	23,300	2,773	26,073
2007	23,300	1,541	24,841
2008	11,650	308	11,958
Total	<u>\$81,550</u>	<u>\$8,628</u>	<u>\$90,178</u>

**NOTE 16 – INTERFUND ACTIVITY**

Transfers made during the year ended June 30, 2004 were as follows:

		Transfers From		
		General	All Other Nonmajor Funds	Total
Transfers To	Ohio School			
	Facilities Commission	\$13,328	\$0	\$13,328
	All Other Nonmajor Funds	<u>249,498</u>	<u>37</u>	<u>249,535</u>
	Totals	<u>\$262,826</u>	<u>\$37</u>	<u>\$262,863</u>

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS**

**A. South Central Ohio Computer Association**

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Lawrence, Pike, Ross, Jackson, Vinton and Scioto Counties. The 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 school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$21,587 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

**B. Coalition of Rural and Appalachian Schools**

The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. During fiscal year 2004, the School District paid \$300 to the Coalition for services provided during the year.

**C. Pilasco-Ross Special Education Regional Resource Center**

The Pilasco-Ross Special Education Regional Resource Center (SERRC) is a special education service center which represents Lawrence, Pike, Ross and Scioto Counties. The SERRC selects its own governing board, adopts its own budget and receives direct Federal and State grants for its operation. The jointly-governed organization was formed for the purpose of initiating, expanding and improving special education programs and services for children with disabilities and their parents.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS** (Continued)

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career Technology Center, Shawnee State University, and Pike-Ross, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

**NOTE 18 – PUBLIC ENTITY SHARED RISK POOL**

**A. Scioto County Schools Council**

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer a program of health insurance for the benefit of the council members' employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center at Fourth and Court Streets, Portsmouth, Ohio 45662.

**B. School of Ohio Risk Sharing Authority, Inc.**

The Schools of Ohio Risk Sharing Authority, Inc. (SORSA) is a risk sharing pool serving school districts in Ohio. SORSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District property and persons and property which might result in claims being made against members of SORSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by SORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.



**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 18 – PUBLIC ENTITY SHARED RISK POOL** (Continued)

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district’s control over the budgetary and financing of SORSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from SORSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

**NOTE 19 – INSURANCE PURCHASING POOL**

**Ohio School Boards Association Workers’ Compensation Group Rating Plan**

The School District participates in the Ohio School Boards Association Workers’ Compensation Group Rating Plan (GRP), 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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**NOTE 20 – SET-ASIDE CALCULATIONS**

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Acquisition	Totals
Set-aside Reserve Balance as of June 30, 2003	\$2,085	\$0	\$2,085
Current Year Set-aside Requirement	226,903	226,903	453,806
Current Year Offsets	0	(27,712)	(27,712)
Qualifying Disbursements	(207,367)	(199,191)	(406,558)
Set-aside Reserve Balance as of June 30, 2004	<u>\$21,621</u>	<u>\$0</u>	<u>\$21,621</u>
Required Set-aside Balances Carried Forward to FY 2004	<u>\$21,621</u>	<u>\$0</u>	<u>\$21,621</u>

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 20 – SET-ASIDE CALCULATIONS** (Continued)

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the year-end balance to zero.

**NOTE 21 – CONTRACTUAL COMMITMENTS**

The School District contracted for the design and construction of renovations to the middle school. The outstanding construction commitments at June 30, 2004 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/04</u>
Stevens Construction	\$1,189,204	\$1,182,524	\$6,680
West End Electric	530,677	391,187	139,490
CIMCO Inc.	425,574	404,067	21,507
BBL Construction	209,466	186,751	22,715
Tanner & Stone	201,882	185,931	15,951
Microman	162,708	0	162,708
J & H Reinforce and Structural	155,990	49,504	106,486
Mechanical Construction	116,870	108,200	8,670
Total	<u>\$2,992,371</u>	<u>\$2,508,164</u>	<u>\$484,207</u>

**NOTE 22 – STATE SCHOOL FUNDING DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2004

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**NOTE 23 – 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, 2004.

**B. Litigation**

The School District is party to one legal proceeding. However, no liability has been accrued on the financial statements since the ultimate disposition of the claim and legal proceeding has yet to be determined and the amount of liability, if any, is not measurable.

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WASHINGTON-NILE LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$0	\$ 38,970	\$0	\$ 38,970
School Breakfast Program	10.553	05-PU-03 05-PU-04	8,399 38,354		8,399 38,354	
Total School Breakfast Program			46,753	0	46,753	0
National School Lunch Program	10.555	LL-P4-03 LL-P4-04	36,856 157,640		36,856 157,640	
Total National School Lunch Program			194,496	0	194,496	0
Total Nutrition Cluster			241,249	38,970	241,249	38,970
Total United States Department of Agriculture			241,249	38,970	241,249	38,970
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies						
Title I Grants to Local Educational Agencies	84.010	C1-S1-03 C1-S1-04	78,800 673,535		95,717 654,369	
Total Title I Grants to Local Educational Agencies			752,335	0	750,086	0
Special Education - Grants to States	84.027	6B-SF-03-P 6B-SF-04	21,435 214,055		18,487 200,935	
Total Special Education - Grants to States			235,490	0	219,422	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-03 DR-S1-04	2,183 18,377		2,399 17,573	
Total Safe and Drug-Free Schools and Communities - State Grants			20,560	0	19,972	0
Innovative Education Program Strategies	84.298	C2-S1-04	10,725		10,725	
Education Technology State Grants	84.318	TJ-S1-04	19,629		19,629	
Rural Education	84.358	RU-S1-04	44,158		44,158	
Improving Teacher Quality State Grants	84.367	TR-S1-03 TR-S1-04	24,385 143,726		24,721 136,847	
Total Improving Teacher Quality State Grants			168,111	0	161,568	0
<i>Passed through Shawnee State University</i>						
21st Century Grant Community Learning Center						
21st Century Grant Community Learning Center	84.287	N/A			1,879	
Total 21st Century Grant Community Learning Center			20,694	0	1,879	0
Total United States Department of Education			1,271,702	0	1,227,439	0
<b>UNITED STATES DEPARTMENT OF LABOR</b>						
<i>Passed through Shawnee State University</i>						
School to Work Grant						
School to Work Grant	17.249	N/A	791		791	
Total United States Department of Labor			791	0	791	0
<b>UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>						
<i>Passed through the State Board of MRDD</i>						
Medical Assistance Program						
Medical Assistance Program	93.778	N/A	11,620	0	11,620	0
Total United States Department of Health and Human Services			11,620	0	11,620	0
<b>Total Federal Awards Receipts and Expenditures</b>			<b>\$1,525,362</b>	<b>\$38,970</b>	<b>\$1,481,099</b>	<b>\$38,970</b>

The Notes to the Schedule of Federal Awards Receipts and Expenditures is an integral part of the Schedule.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FOR FISCAL THE YEAR ENDED JUNE 30, 2004**

**NOTE A – BASIS OF ACCOUNTING**

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

**NOTE B – CHILD NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the United States Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the United States Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Washington-Nile Local School District  
Scioto County  
15332 U.S. Highway 52  
West Portsmouth, Ohio 45663

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated May 31, 2005. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

**Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*.

Washington-Nile Local School District  
Scioto County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 31, 2005





## Auditor of State Betty Montgomery

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

Washington-Nile Local School District  
Scioto County  
15332 U.S. Highway 52  
West Portsmouth, Ohio 45663

To the Board of Education:

#### Compliance

We have audited the compliance of the Washington-Nile Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

#### Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

May 31, 2005

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT  
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 §.505  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

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

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

None noted.

**3. FINDINGS FOR FEDERAL AWARDS**

None noted.





**Auditor of State  
Betty Montgomery**

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**WASHINGTON-NILE LOCAL SCHOOL DISTRICT**

**SCIOTO 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  
JUNE 23, 2005**