



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

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**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, 2005, 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 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, 2005, 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 April 6, 2006, 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 also 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.



Betty Montgomery
Auditor of State

April 6, 2006

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

As management of the Washington-Nile Local 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, 2005. We encourage readers to consider the information presented here in conjunction with the basic financial statements and 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.

Financial Highlights

Key financial highlights for 2005 are as follows:

Net assets of governmental activities increased \$566,224. This is primarily due to a decrease in expenses related to the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenses throughout the year.

Total assets of governmental activities increased by \$199,526. Capital assets decreased by \$264,454 due to depreciation and deletions exceeding purchases. Receivables and other current assets increased by \$463,980 due primarily to an increase in equity pooled in cash and cash equivalents of \$318,959 resulting from the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenses throughout the year.

General revenues accounted for \$10,714,581 in revenue or 73 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$4,045,871 or 27 percent of total revenues of \$14,760,452.

The School District had \$14,194,228 in expenses related to governmental activities; only \$4,045,871 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of \$10,714,581 were more than 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, 2005

Unaudited

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 2005?"

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

For the Fiscal Year Ended June 30, 2005

Unaudited

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 fiscal 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 2005 and 2004:

(Table 1)
Net Assets

	Governmental Activities		Increase/ (Decrease)
	2005	2004	
Assets:			
Current Assets	\$6,236,378	\$5,772,398	\$463,980
Capital Assets	28,673,398	28,937,852	(264,454)
<i>Total Assets</i>	<u>34,909,776</u>	<u>34,710,250</u>	<u>199,526</u>
Liabilities:			
Long-Term Liabilities	2,929,368	3,199,117	(269,749)
Other Liabilities	2,703,746	2,800,695	(96,949)
<i>Total Liabilities</i>	<u>5,633,114</u>	<u>5,999,812</u>	<u>(366,698)</u>
Net Assets:			
Invested in Capital Assets, Net of Related Debt	26,498,858	26,500,789	(1,931)
Restricted	1,030,074	1,277,753	(247,679)
Unrestricted	1,747,730	931,896	815,834
<i>Total Net Assets</i>	<u>\$29,276,662</u>	<u>\$28,710,438</u>	<u>\$566,224</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Total assets increased by \$199,526. This was primarily due to significant increases of \$318,959 and \$164,794 in equity in pooled cash and cash equivalents and property taxes receivable, respectively. The increase in equity in pooled cash and cash equivalents is related to the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenses throughout the year. The increase in property taxes receivable is due primarily to a new valuation conducted during fiscal year 2005.

Total liabilities decreased \$366,698. Current liabilities decreased by \$96,949 due primarily to decreases in contracts payable and accrued wages and benefits payable. The decrease within contracts payable is due to the completion of the renovation project by various vendors. The decrease within accrued wages and benefits payable is due to a decrease in staffing levels through the non-replacement of retirees. Long-term liabilities decreased by \$269,749 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 decreased by \$1,931 due to current year depreciation and deletions exceeding current year additions and principal payments on outstanding debt issues being made during the fiscal year. Restricted Net Assets for governmental activities decreased by \$247,679 due primarily to a decrease in cash related to the completion of the renovation project. Unrestricted Net Assets for governmental activities increased by \$815,834 due primarily to the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenses throughout the year.

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 and sales, operating grants, contributions, and interest and capital grants and contributions. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

(Table 2)
Change in Net Assets

	2005	2004	Increase/ (Decrease)
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,733,436	\$1,604,220	\$129,216
Operating Grants, Contributions and Interest	2,283,560	1,995,574	287,986
Capital Grants and Contributions	28,875	134,576	(105,701)
Total Program Revenues	4,045,871	3,734,370	311,501
General Revenues:			
Property Taxes	1,423,910	1,269,048	154,862
Grants and Entitlements not Restricted to Specific Programs	9,120,795	9,491,637	(370,842)
Investment Earnings	90,655	20,307	70,348
Miscellaneous	79,221	57,946	21,275
Total General Revenues	10,714,581	10,838,938	(124,357)
Total Revenues	14,760,452	14,573,308	187,144
Program Expenses			
Instruction:			
Regular	6,084,318	6,398,944	(314,626)
Special	1,515,249	1,883,270	(368,021)
Vocational	98,014	99,990	(1,976)
Support Services:			
Pupils	833,134	950,229	(117,095)
Instructional Staff	850,452	859,084	(8,632)
Board of Education	65,775	58,752	7,023
Administration	1,029,477	946,395	83,082
Fiscal	257,775	259,203	(1,428)
Operation and Maintenance of Plant	1,305,914	1,356,140	(50,226)
Pupil Transportation	746,759	757,557	(10,798)
Operation of Non-Instructional Services:			
Food Service Operations	779,848	675,408	104,440
Other	1,380	0	1,380
Extracurricular Activities	499,540	452,725	46,815
Interest and Fiscal Charges	126,593	136,051	(9,458)
Total Expenses	14,194,228	14,833,748	(639,520)
Increase (Decrease) in Net Assets	566,224	(260,440)	826,664
Net Assets Beginning of Year	28,710,438	28,970,878	(260,440)
Net Assets End of Year	\$29,276,662	\$28,710,438	\$566,224

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Governmental Activities

Program revenues increased by \$311,501 due primarily to an increase in the restricted grants received from other governments. Charges for Services and Sales revenue increased by \$129,216 due primarily to increases in Tuition and Fees and Extracurricular Activities. The increase in Tuition and Fees resulted from an increase in the per pupil amount received in basic State aid for open enrollment students. The increase in Extracurricular Activities resulted from additional fund raising campaigns conducted by student organizations for trips and an increase in football ticket prices. Operating Grants, Contributions and Interest increased by \$287,986 due to a significant increase in the IDEA-B grant along with an increase in federal food service reimbursements compared to the prior fiscal year. General revenues decreased by \$124,357. Grants and Entitlements not Restricted to Specific Programs made up 62 percent of revenues for governmental activities of the Washington-Nile Local School District for fiscal year 2005. Property tax revenue made up 10 percent of the total revenues for governmental activities for a total of 72 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 decreased by \$370,842 due primarily to a decrease in revenue received from the Ohio School Facilities Commission relating to the renovations of Portsmouth West Middle School, as the project was completed during fiscal year 2005.

Program expenses decreased by \$639,520. Regular Instruction comprises 43 percent of governmental program expenses. Support Services expenses make up 36 percent of governmental expenses. Regular Instruction, Special Instruction, and Pupils Support Services decreased \$314,626, \$368,021, and \$117,095, respectively. These decreases from the prior year were due primarily to the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenses throughout the year.

The Statement of Activities shows the cost of program services and the charges for services and sales, grants, contributions and interest 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Total Cost of Services 2004	Net Cost of Services 2005	Net Cost of Services 2004
Instruction	\$7,697,581	\$8,382,204	\$5,032,124	\$5,275,834
Support Services	5,089,286	5,187,360	4,734,688	4,600,327
Operation of Non-				
Instructional Services	781,228	675,408	67,747	86,162
Extracurricular Activities	499,540	452,725	187,205	256,582
Interest and Fiscal Charges	126,593	136,051	126,593	136,051
Total Expenses	<u>\$14,194,228</u>	<u>\$14,833,748</u>	<u>\$10,148,357</u>	<u>\$10,354,956</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 \$14,761,597 and expenditures of \$14,296,538. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$1,013,931. This was due to the cutting of some programs, a decrease in staffing levels through the non-replacement of retirees, and a careful monitoring of expenditures throughout the fiscal year.

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 2005, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's 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 \$11,698,147, with original estimated revenues of \$11,169,644, a difference of \$528,503. This difference was due primarily to conservative estimates of property tax revenue by the County Auditor at the beginning of the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Final estimated expenditures were \$11,185,181, with original estimated expenditures of \$11,065,736. This difference of \$119,495 was due primarily to some cuts in federal programs that the General Fund absorbed during the fiscal year and an underestimating of gasoline and utility expenditures due to higher than anticipated rate increases.

The School District's ending actual fund balance in the General Fund was \$649,511 above the final budgeted amount.

Capital Assets

At the end of fiscal year 2005 the School District had \$28,673,398 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks and software. Table 4 shows fiscal year 2005 balances compared to fiscal year 2004:

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

	Governmental Activities	
	2005	2004
Land	\$1,743,109	\$1,743,109
Construction in Progress	0	2,321,363
Land Improvements	387,998	401,236
Buildings and Improvements	23,663,723	21,369,446
Furniture, Fixtures and Equipment	2,265,549	2,352,862
Vehicles	430,781	506,996
Textbooks and Software	182,238	242,840
Totals	<u>\$28,673,398</u>	<u>\$28,937,852</u>

Net Capital Assets decreased from the prior year. The primary change occurred in the completion of the Portsmouth West Middle School renovations. The renovations were removed from construction in progress and are now included in buildings and improvements. Decreases within land improvements, furniture, fixtures and equipment, and textbooks and software occurred from the prior fiscal 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

Debt

At June 30, 2005, the School District had a \$29,219 EPA Asbestos loan outstanding, of which \$5,312 is due within one year, \$1,150,000 in bonds outstanding, in of which \$120,000 is due within one year, and \$58,250 in notes outstanding, in of which \$23,300 is due within one year. The School District also had capital appreciation bonds outstanding of \$109,942, an outstanding premium on the debt issue of \$88,693, a discount on the debt issue of \$547, a deferred loss on the early retirement of the old issue of \$68,732, and capital lease obligations of \$952,415, of which \$141,391 is due within one year. Table 5 summarizes the outstanding debt:

(Table 5)
Outstanding Debt at Fiscal Year-End
Governmental Activities

	2005	2004
1993 EPA Asbestos Loan	\$29,219	\$34,531
2001 Refunding Classroom Facilities		
Serial Bonds	1,150,000	1,265,000
Original Issue on Capital Appreciation Bonds	109,942	109,942
Accretion on Capital Appreciation Bonds	75,233	52,554
Premium on Debt Issue	88,693	103,682
Discount on Debt Issue	(547)	(656)
Deferred Loss on Early Retirement	(68,732)	(77,323)
1997 Promissory Note HB 264	58,250	81,550
Capital Lease	952,415	1,087,571
Totals	<u>\$2,394,473</u>	<u>\$2,656,851</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.

2001 Refunding 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. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively. The serial bonds will reach final maturity during fiscal year 2017. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2005

Unaudited

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. The note was issued for a ten year period with final maturity during fiscal year 2008.

The School District's overall legal debt margin was \$5,314,173 with an unvoted debt margin of \$69,797, and an Energy Conservation debt margin of \$598,958 at June 30, 2005.

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

Current Issues

Washington-Nile Local School District was created by the merger of three township schools in 1939. The School District is a low wealth district, thus rated in the bottom 10 out of 612 school districts in property valuation per pupil in the State of Ohio.

The Ohio Department of Education evaluates the School District's educational progress through a report card. During the 2004-2005 school year, the School District met 8 of the 18 indicators resulting in the School District being designated as Continuous Improvement.

During fiscal year 2005, the Portsmouth West Middle School renovation project was completed. The School District received financial assistance for this project from the Ohio School Facilities Commission.

Finally, due to cuts in federal programs during fiscal year 2005, some personnel positions vacated by retirees were not replaced in order to help the financial stability of the School District.

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, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,375,429
Materials and Supplies Inventory	27,866
Accrued Interest Receivable	18,502
Accounts Receivable	8,160
Intergovernmental Receivable	261,118
Prepaid Items	63,485
Property Taxes Receivable	1,455,030
Deferred Charges	26,788
Capital Assets:	
Land	1,743,109
Depreciable Capital Assets, Net	<u>26,930,289</u>
<i>Total Assets</i>	<u>34,909,776</u>
<u>Liabilities:</u>	
Accounts Payable	68,949
Accrued Wages and Benefits Payable	1,058,783
Intergovernmental Payable	338,695
Deferred Revenue	1,231,760
Accrued Interest Payable	5,559
Long-Term Liabilities:	
Due Within One Year	363,827
Due in More Than One Year	<u>2,565,541</u>
<i>Total Liabilities</i>	<u>5,633,114</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	26,498,858
Restricted for Debt Service	215,788
Restricted for Capital Projects	321,826
Restricted for Other Purposes	364,044
Restricted for Set-Asides	128,416
Unrestricted	<u>1,747,730</u>
<i>Total Net Assets</i>	<u><u>\$29,276,662</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, 2005

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Total Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,084,318	\$797,578	\$333,074	\$0	(\$4,953,666)
Special	1,515,249	341,372	1,173,908	0	31
Vocational	98,014	0	19,525	0	(78,489)
Support Services:					
Pupils	833,134	0	50,685	0	(782,449)
Instructional Staff	850,452	0	223,858	0	(626,594)
Board of Education	65,775	0	0	0	(65,775)
Administration	1,029,477	0	0	0	(1,029,477)
Fiscal	257,775	0	0	0	(257,775)
Operation and Maintenance of Plant	1,305,914	11,836	0	1,500	(1,292,578)
Pupil Transportation	746,759	9,408	29,936	27,375	(680,040)
Operation of Non-Instructional Services:					
Food Service Operations	779,848	318,623	394,858	0	(66,367)
Other	1,380	0	0	0	(1,380)
Extracurricular Activities	499,540	254,619	57,716	0	(187,205)
Interest and Fiscal Charges	126,593	0	0	0	(126,593)
Total Governmental Activities	\$14,194,228	\$1,733,436	\$2,283,560	\$28,875	(10,148,357)
<u>General Revenues:</u>					
Property Taxes Levied for:					
General Purposes					1,226,551
Other Purposes					22,867
Debt Service					174,492
Grants and Entitlements not					
Restricted to Specific Programs					9,120,795
Investment Earnings					90,655
Miscellaneous					79,221
Total General Revenues					10,714,581
Change in Net Assets					566,224
Net Assets Beginning of Year					28,710,438
Net Assets End of Year					\$29,276,662

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2005

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$3,101,464	\$39,874	\$1,050,740	\$4,192,078
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	183,351	0	0	183,351
Receivables:				
Property Taxes	1,230,956	0	224,074	1,455,030
Accounts	4,383	0	3,777	8,160
Intergovernmental	648	0	260,470	261,118
Accrued Interest	18,502	0	0	18,502
Interfund	36,782	0	0	36,782
Prepaid Items	63,335	0	150	63,485
Materials and Supplies Inventory	21,762	0	6,104	27,866
<i>Total Assets</i>	<u>\$4,661,183</u>	<u>\$39,874</u>	<u>\$1,545,315</u>	<u>\$6,246,372</u>
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$47,405	\$0	\$21,544	\$68,949
Accrued Wages and Benefits Payable	760,810	0	297,973	1,058,783
Intergovernmental Payable	260,816	0	77,879	338,695
Interfund Payable	0	0	36,782	36,782
Deferred Revenue	1,164,961	0	263,708	1,428,669
<i>Total Liabilities</i>	<u>2,233,992</u>	<u>0</u>	<u>697,886</u>	<u>2,931,878</u>
<u>Fund Balances:</u>				
Reserved for Encumbrances	70,258	29,695	62,135	162,088
Reserved for Property Taxes	81,515	0	13,799	95,314
Reserved for Textbooks and Instructional Materials	91,928	0	0	91,928
Reserved for Capital Improvements	36,488	0	0	36,488
Reserved for Bus Purchases	54,935	0	0	54,935
Unreserved, Undesignated, Reported in:				
General Fund	2,092,067	0	0	2,092,067
Special Revenue Funds	0	0	264,549	264,549
Debt Service Fund	0	0	280,129	280,129
Capital Projects Funds	0	10,179	226,817	236,996
<i>Total Fund Balances</i>	<u>2,427,191</u>	<u>39,874</u>	<u>847,429</u>	<u>3,314,494</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,661,183</u>	<u>\$39,874</u>	<u>\$1,545,315</u>	<u>\$6,246,372</u>

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, 2005

Total Governmental Fund Balances \$3,314,494

*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	
Other capital assets	36,755,985	
Accumulated depreciation	(9,825,696)	
Total capital assets	28,673,398	28,673,398

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	127,956	
Intergovernmental	53,433	
Interest	14,231	
Accounts	1,289	
	196,909	196,909

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. 26,788

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. 68,732

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	(1,422,644)	
Discount on debt issue	547	
Premium on debt issue	(88,693)	
Accrued interest on bonds	(5,559)	
Capital leases	(952,415)	
Compensated absences	(534,895)	
Total liabilities	(3,003,659)	(3,003,659)

Net Assets of Governmental Activities \$29,276,662

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, 2005

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,212,882	\$0	\$197,674	\$1,410,556
Intergovernmental	8,779,138	73,514	2,595,834	11,448,486
Interest	80,029	5,198	1,642	86,869
Tuition and Fees	1,137,905	0	2,929	1,140,834
Extracurricular Activities	0	0	251,690	251,690
Rent	1,383	0	0	1,383
Customer Sales and Services	20,635	0	318,623	339,258
Contributions and Donations	0	0	1,500	1,500
Miscellaneous	78,480	0	2,541	81,021
<i>Total Revenues</i>	<u>11,310,452</u>	<u>78,712</u>	<u>3,372,433</u>	<u>14,761,597</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,787,878	0	991,922	5,779,800
Special	746,101	0	801,556	1,547,657
Vocational	90,446	0	0	90,446
Support Services:				
Pupils	666,598	16,475	132,846	815,919
Instructional Staff	550,316	0	217,628	767,944
Board of Education	66,138	0	0	66,138
Administration	928,028	0	49,715	977,743
Fiscal	253,021	0	0	253,021
Operation and Maintenance of Plant	1,164,597	0	39,131	1,203,728
Pupil Transportation	679,763	0	6,475	686,238
Operation of Non-Instructional Services:				
Food Service Operations	0	0	725,150	725,150
Other	0	0	1,380	1,380
Extracurricular Activities	121,927	0	290,564	412,491
Capital Outlay	0	553,438	27,827	581,265
Debt Service:				
Principal Retirement	0	0	278,768	278,768
Interest and Fiscal Charges	0	0	108,850	108,850
<i>Total Expenditures</i>	<u>10,054,813</u>	<u>569,913</u>	<u>3,671,812</u>	<u>14,296,538</u>
Excess of Revenues Over (Under) Expenditures	<u>1,255,639</u>	<u>(491,201)</u>	<u>(299,379)</u>	<u>465,059</u>
<u>Other Financing Sources (Uses):</u>				
Transfers In	0	0	242,225	242,225
Transfers Out	(241,708)	0	(517)	(242,225)
<i>Total Other Financing Sources (Uses)</i>	<u>(241,708)</u>	<u>0</u>	<u>241,708</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	1,013,931	(491,201)	(57,671)	465,059
<i>Fund Balances at Beginning of Year</i>	<u>1,413,260</u>	<u>531,075</u>	<u>905,100</u>	<u>2,849,435</u>
<i>Fund Balances at End of Year</i>	<u>\$2,427,191</u>	<u>\$39,874</u>	<u>\$847,429</u>	<u>\$3,314,494</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, 2005

Net Change in Fund Balances - Total Governmental Funds \$465,059

*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	794,077	
Depreciation expense	(1,055,870)	
Excess of capital outlay over depreciation expense		(261,793)

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.

Loss on disposal of capital assets		(2,661)
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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	13,354	
Intergovernmental	(17,484)	
Interest	4,514	
Customer Sales and Service	271	
Miscellaneous	(1,800)	
		(1,145)

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	(8,591)	
Decrease in accrued interest payable	880	
Accretion on bonds	(22,679)	
		(17,743)

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 retirement	5,312	
Bond payments	115,000	
Note payments	23,300	
Capital lease payments	135,156	
Total long-term debt repayment		278,768

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	7,371	
Decrease in intergovernmental payable	98,368	
Total (increase)/decrease		105,739

Change in Net Assets of Governmental Activities \$566,224

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, 2005

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$1,180,000	\$1,403,042	\$1,196,243	(\$206,799)
Intergovernmental	8,599,444	8,862,396	8,779,138	(83,258)
Interest	69,259	71,377	71,377	0
Tuition and Fees	1,190,500	1,226,903	1,140,253	(86,650)
Rent	243	250	0	(250)
Customer Sales and Services	21,117	21,763	21,763	0
Miscellaneous	109,081	112,416	112,416	0
<i>Total Revenues</i>	<u>11,169,644</u>	<u>11,698,147</u>	<u>11,321,190</u>	<u>(376,957)</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,220,462	5,276,812	4,859,915	416,897
Special	881,365	890,878	754,988	135,890
Vocational	95,486	96,517	89,948	6,569
Support Services:				
Pupils	760,321	768,528	673,118	95,410
Instructional Staff	575,128	581,336	563,885	17,451
Board of Education	83,773	84,677	63,984	20,693
Administration	960,320	970,686	922,128	48,558
Fiscal	256,891	259,664	252,805	6,859
Operation and Maintenance of Plant	1,328,838	1,343,182	1,213,536	129,646
Pupil Transportation	747,881	755,954	672,351	83,603
Operation of Non-Instructional Services:				
Other	9,893	10,000	0	10,000
Extracurricular Activities	145,378	146,947	101,676	45,271
<i>Total Expenditures</i>	<u>11,065,736</u>	<u>11,185,181</u>	<u>10,168,334</u>	<u>1,016,847</u>
Excess of Revenues Over Expenditures	<u>103,908</u>	<u>512,966</u>	<u>1,152,856</u>	<u>639,890</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	1,000	1,000	0	(1,000)
Transfers In	15,700	15,700	0	(15,700)
Transfers Out	(268,029)	(268,029)	(241,708)	26,321
Advances Out	0	(36,782)	(36,782)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(251,329)</u>	<u>(288,111)</u>	<u>(278,490)</u>	<u>9,621</u>
<i>Net Change in Fund Balance</i>	(147,421)	224,855	874,366	649,511
<i>Fund Balance at Beginning of Year</i>	2,180,082	2,180,082	2,180,082	0
<i>Prior Year Encumbrances Appropriated</i>	<u>143,533</u>	<u>143,533</u>	<u>143,533</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$2,176,194</u>	<u>\$2,548,470</u>	<u>\$3,197,981</u>	<u>\$649,511</u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2005

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$64,359	\$42,958
Receivables:		
Accrued Interest	751	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	65,110	<u><u>42,958</u></u>
<u>Liabilities:</u>		
Undistributed Monies	0	\$20,367
Deposits Held and Due to Others	0	22,591
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	0	<u><u>42,958</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>65,110</u></u>	

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2005

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$1,495
Gifts and Donations	<u>8,900</u>
<i>Total Additions</i>	10,395
<u>Deductions:</u>	
Scholarships	<u>7,300</u>
<i>Change in Net Assets</i>	3,095
<i>Net Assets Beginning of Year</i>	<u>62,015</u>
<i>Net Assets End of Year</i>	<u><u>\$65,110</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, 2005

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 64 non-certificated employees, 118 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,669 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, one as a public entity shared risk pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Ohio School Plan, 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, 2005

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 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, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Classroom Facilities 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, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial 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 Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means 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, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available 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, 2005, but which were levied to finance fiscal year 2006 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 financial statements.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2005, the School District's investments were limited to nonnegotiable certificates of deposit, Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, and the State Treasury Asset 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, 2005.

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 2005 amounted to \$80,029, which includes \$26,123 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 externally 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 capital improvements and revenues restricted for bus purchases. See Note 20 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, 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 fiscal year in which services are consumed.

H. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

All capital assets of the School District are general capital assets that are associated with 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.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal 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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

K. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sick leave benefits are accrued as a liability using the termination 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.

L. Bond Premiums/Issuance Costs/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 interest accrued during the year. Bond premiums and discounts and the 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.

M. 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 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 fiscal 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.

N. 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 balance reserves have been established for encumbrances, property taxes, textbooks and instructional materials, capital acquisitions, and bus purchases.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

O. 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 enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service and 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.

The government-wide Statement of Net Assets reports \$1,030,074 of restricted net assets, of which \$541,512 is restricted by enabling legislation.

P. 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 fiscal 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 as final budgeted amounts in the budgetary statement reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations.

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.

R. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2005, the School District has implemented GASB Statement No. 40, “*Deposit and Investment Risk Disclosures*,” GASB Statement No. 46, “*Net Assets Restricted by Enabling Legislation*,” and GASB Technical Bulletin No. 2004-2, “*Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers*.”

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2005.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2005

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School District's financial statements for fiscal year 2005.

NOTE 4 – ACCOUNTABILITY

At June 30, 2005, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Disadvantaged Pupil Impact Aid	\$37,931
SchoolNet Professional Development	106
Ohio Reads	79
Summer Intervention	293
Alternative School	10,234
Drug Free School	439
Improving Teacher Quality	7,517
Miscellaneous Federal Grants	3,487

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, 2005

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).

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	\$1,013,931
Adjustments:	
Revenue Accruals	19,431
Expenditure Accruals	6,508
Encumbrances	(120,029)
Advances	(36,782)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2004	(41,888)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2005	33,195
Budget Basis	<u><u>\$874,366</u></u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 or deposit accounts, including passbook accounts.

Interim monies held by the School District 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;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers' acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year-end, \$2,077,184 of the School District's bank balance of \$2,316,367 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

B. Investments

As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Investment Maturities (In Years)	
		Less Than 1	1 - 2
STAROhio	\$335,868	\$335,868	\$0
Federal National Mortgage Association Bonds	836,564	395,752	440,812
Federal Home Loan Bank Bonds	786,254	0	786,254
Federal Home Loan Bank Consolidation Bonds	450,737	450,737	0
	<u>\$2,409,423</u>	<u>\$1,182,357</u>	<u>\$1,227,066</u>

Interest Rate Risk

As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. The School District will not directly invest in securities maturing more than five years from the date of investment. No investments shall be made that will cause the average duration of the portfolio to exceed three and a half years.

Credit Risk

The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and Federal Home Loan Bank Consolidation Bonds carry a rating of AAA by Moody's, Standard and Poor's and Fitch. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds and Federal Home Loan Bank Consolidation Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name. The School District's investment policy does not address investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments by security and institution. No more than fifty percent of the total current portfolio shall be invested in collateralized repurchase agreements and certificates of deposits with any one eligible financial institution. No more than twenty-five percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The School District's investments in StarOhio, Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, and Federal Home Loan Bank Consolidation Bonds represents 13.94 percent, 34.72 percent, 32.63 percent, and 18.71 percent, respectively, of the School District's total investments.

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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 – PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 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 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. 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, 2005, are available to finance fiscal year 2005 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, 2005 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 were levied to finance current fiscal year operations and are 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.

The amount available as an advance at June 30, 2005, was \$81,515 in the General Fund, \$1,577 in the Classroom Facilities Maintenance Special Revenue Fund, and \$12,222 in the Debt Service Fund. The amount available as an advance at June 30, 2004, was \$64,876 in the General Fund, \$1,429 in the Classroom Facilities Maintenance Special Revenue Fund, and \$11,333 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 – PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$55,246,030	91.11%	\$64,225,550	92.02%
Public Utility	3,712,230	6.12%	4,011,740	5.75%
Tangible Personal Property	1,681,264	2.77%	1,560,111	2.23%
Total Assessed Value	<u>\$60,639,524</u>	<u>100.00%</u>	<u>\$69,797,401</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$34.68	\$34.68
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NOTE 8 – RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, accounts, intergovernmental grants, accrued interest and interfund. 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:	
Excess Cost Reimbursement	\$648
Ohio Reads	745
Student Reading Intervention	480
IDEA	88,158
Title I	133,239
Title IV - A, Safe and Drug Free Schools	4,210
Title II - A, Improving Teacher Quality	23,108
Title II - D	10,530
Total Intergovernmental Receivables	<u>\$261,118</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	Balance at 6/30/04	Additions	Deductions	Balance at 6/30/05
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,743,109	\$0	\$0	\$1,743,109
Construction in Progress	2,321,363	683,289	(3,004,652)	0
Total Capital Assets Not Being Depreciated	4,064,472	683,289	(3,004,652)	1,743,109
Capital Assets Being Depreciated:				
Land Improvements	492,156	1,725	0	493,881
Buildings and Improvements	26,273,599	2,853,088	0	29,126,687
Furniture, Fixtures and Equipment	4,566,987	226,865	(20,649)	4,773,203
Vehicles	1,266,989	0	0	1,266,989
Textbooks and Software	1,077,567	33,762	(16,104)	1,095,225
Total Capital Assets Being Depreciated	33,677,298	3,115,440	(36,753)	36,755,985
Less Accumulated Depreciation:				
Land Improvements	(90,920)	(14,963)	0	(105,883)
Building and Improvements	(4,904,153)	(558,811)	0	(5,462,964)
Furniture, Fixtures and Equipment	(2,214,125)	(311,744)	18,215	(2,507,654)
Vehicles	(759,993)	(76,215)	0	(836,208)
Textbooks and Software	(834,727)	(94,137)	15,877	(912,987)
Total Accumulated Depreciation	(8,803,918)	(1,055,870) *	34,092	(9,825,696)
Total Capital Assets Being Depreciated, Net	24,873,380	2,059,570	(2,661)	26,930,289
Governmental Activities Capital Assets, Net	\$28,937,852	\$2,742,859	(\$3,007,313)	\$28,673,398

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$461,223
Special	75,975
Vocational	9,512
Support Services:	
Pupils	32,250
Instructional Staff	102,942
Administration	54,711
Fiscal	10,155
Operation and Maintenance of Plant	77,239
Pupil Transportation	83,637
Operation of Non-Instructional Services:	
Food Service Operations	69,770
Extracurricular Activities	78,456
Total Depreciation Expense	<u><u>\$1,055,870</u></u>

NOTE 10 – RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP 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 the OSP. (See Note 19). The types and amounts of coverage provided by the Ohio School Plan 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)	35,750,617
Commercial Auto Coverage	
Liability	2,000,000
Auto Medical	5,000
Uninsured Motorist Coverage	1,000,000
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, 2005

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	10,000
Error and Omissions Cover - Per Occurrence	1,000,000
Error and Omissions Cover - Annual Aggregate	2,000,000
Automobile Liability	
Owned / Leased Vehicles	2,000,000
Medical Payments - Occurrence	5,000
Uninsured Motorist	1,000,000
Physical Damage (\$1,000 deductible)	Actual Cash Value

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been a significant increase in coverage from the prior fiscal year due to a general increase in coverage at the same cost.

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 turn 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 2005, 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." 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003 were \$149,435, \$154,351, and \$137,104, respectively; 51.99 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

B. State Teachers Retirement System

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 43215-3371 or by calling (614) 227-4090.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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, 2005, 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. Contribution rates are established by the State Teachers Retirement Board, upon recommendation 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$783,768, \$791,490 and \$786,729; 83.44 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$3,529 made by the School District and \$5,693 made by the plan members.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, 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 STRS Ohio 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, 2005, 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 \$60,290 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, (the latest information available) the balance in the Fund was \$3.1 billion. For the fiscal 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$70,176.

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 (the latest information available), 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 and administrators 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 employees. Classified union employees 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 non-union employees and 47 days for classified union employees. As a further incentive to minimize sick leave usage, 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, 2005

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 health, dental, vision, and life insurance plans 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 LEASE - 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 were paid to contractors by the School District as the work progressed. The stadium was completed during fiscal year 2003 and was 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 2005 totaled \$135,156.

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 the capital lease 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>(\$114,244)</u>	<u>\$1,967,508</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 – CAPITAL LEASE - LESSEE DISCLOSURE (continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2005.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2006	\$182,066
2007	181,916
2008	181,759
2009	181,594
2010	181,422
2011	181,241
Total	1,089,998
Less: Amount Representing Interest	(137,583)
Present Value of Net Minimum Lease Payments	<u>\$952,415</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2005 were as follows:

	<u>Principal Outstanding 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/05</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
1993 EPA Asbestos					
Loan 0.00%	\$34,531	\$0	\$5,312	\$29,219	\$5,312
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	1,265,000	0	115,000	1,150,000	120,000
Original Issue Capital					
Appreciation Bonds	109,942	0	0	109,942	0
Accretion on Capital					
Appreciation Bonds	52,554	22,679	0	75,233	0
Premium on Debt Issue	103,682	0	14,989	88,693	0
Discount on Debt Issue	(656)	0	(109)	(547)	0
Deferred Loss on Early Retirement	(77,323)	0	(8,591)	(68,732)	0
1997 Promissory Note					
HB 264 - 5.36%	81,550	0	23,300	58,250	23,300
Capital Lease	1,087,571	0	135,156	952,415	141,391
Compensated Absences	542,266	66,583	73,954	534,895	73,824
Total Governmental Activities					
Long-Term Obligations	<u>\$3,199,117</u>	<u>\$89,262</u>	<u>\$359,011</u>	<u>\$2,929,368</u>	<u>\$363,827</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

2001 Refunding 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 2005, the capital appreciation bonds were accreted \$22,679 with a total accretion amount of \$75,233. 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.

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, and Title I, Special Revenue Funds.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

The School District’s overall legal debt margin was \$5,314,173 with an unvoted debt margin of \$69,797, and an Energy Conservation debt margin of \$598,958 at June 30, 2005.

Principal requirements to retire the EPA Asbestos Loan outstanding at June 30, 2005, are as follows:

<u>EPA Asbestos Loan - 1992</u>	
Fiscal year	
<u>Ending June 30,</u>	<u>Principal</u>
2006	\$5,312
2007	5,312
2008	5,313
2009	5,312
2010	5,313
2011	2,657
Total	<u>\$29,219</u>

Principal and interest requirements to retire the 2001 general obligation debt outstanding at June 30, 2005, are as follows:

Fiscal year	Serial Bonds	Serial Bonds	Capital	Capital	
Ending	Serial Bonds	Serial Bonds	Appreciation	Appreciation	
June 30,	Principal	Interest	Bonds Principal	Bonds Interest	Total
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	140,000	27,333	0	0	167,333
2011-2015	285,000	108,296	109,942	315,058	818,296
2016-2017	215,000	8,588	0	0	223,588
Total	<u>\$1,150,000</u>	<u>\$308,048</u>	<u>\$109,942</u>	<u>\$315,058</u>	<u>\$1,883,048</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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal requirements to retire H. B. 264 Promissory Note outstanding at June 30, 2005, are as follows:

H. B. Promissory Note - 1997			
Fiscal year Ending June 30,	Principal	Interest	Total
2006	\$23,300	\$2,773	\$26,073
2007	23,300	1,541	24,841
2008	11,650	308	11,958
Total	<u>\$58,250</u>	<u>\$4,622</u>	<u>\$62,872</u>

NOTE 16 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2005 were as follows:

		Transfers From		
		General Fund	Other Governmental Funds	Total
Transfers To	Other			
	Governmental Funds	<u>\$241,708</u>	<u>\$517</u>	<u>\$242,225</u>

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

Interfund balances at June 30, 2005, consist of the following individual interfund receivable and payable:

		Receivable
		General Fund
Payable	Other	
	Governmental Funds	<u>\$36,782</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 – INTERFUND ACTIVITY (continued)

General Fund advances are made to move unrestricted balances to support programs and projects accounted for in other funds. Advancing monies to other funds is necessary due to timing differences in the receiving of grant monies. When the monies are finally received, the grant fund will use these restricted monies to reimburse the General Fund for the initial advance.

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 \$14,065 for services provided during the fiscal 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 (the “Coalition”) 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 Coalition provides various services for School District administrative personnel; gathers data regarding 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 Coalition 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 Coalition. During fiscal year 2005, 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, 2005

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, 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

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “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, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 19 – INSURANCE PURCHASING POOLS

A. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 19 – INSURANCE PURCHASING POOLS (continued)

B. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The Ohio School Plan (OSP) is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of Directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Schuett Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant Group, Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Schuett Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

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 fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Textbooks and Instructional Materials	Capital Acquisitions	Totals
Set-aside Reserve Balance as of June 30, 2004	\$30,545	\$0	\$30,545
Current Year Set-aside Requirement	226,903	226,903	453,806
Current Year Offsets	0	(28,536)	(28,536)
Qualifying Disbursements	(165,520)	(161,879)	(327,399)
Set-aside Reserve Balance as of June 30, 2005	<u>\$91,928</u>	<u>\$36,488</u>	<u>\$128,416</u>
Required Set-aside Balances Carried Forward to FY 2005	<u>\$91,928</u>	<u>\$36,488</u>	<u>\$128,416</u>

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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 21 – 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, 2005.

B. Litigation

The School District is currently not party to any legal proceedings.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A	\$0	\$46,526	\$0	\$46,526
School Breakfast Program	10.553	05-PU-04	17,740		17,740	
		05-PU-05	57,224		57,224	
Total School Breakfast Program			74,964	0	74,964	0
National School Lunch Program	10.555	LL-P1-04	308		308	
		LL-P1-05	2,658		2,658	
		LL-P4-04	60,252		60,252	
		LL-P4-05	184,354		184,354	
Total National School Lunch Program			247,572	0	247,572	0
Total Nutrition Cluster			322,536	46,526	322,536	46,526
Total United States Department of Agriculture			322,536	46,526	322,536	46,526
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies						
	84.010	C1-S1-04	80,044		82,638	
		C1-S1-05	586,067		592,176	
Total Title I Grants to Local Educational Agencies			666,111	0	674,814	0
Special Education - Grants to States	84.027	6B-SF-04	2,489		15,608	
		6B-SF-05	259,088		268,726	
Total Special Education - Grants to States			261,577	0	284,334	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-04	1,470		2,275	
		DR-S1-05	12,959		12,179	
Total Safe and Drug-Free Schools and Communities - State Grants			14,429	0	14,454	0
State Grants for Innovative Programs	84.298	C2-S1-05	7,830		7,830	
Education Technology State Grants	84.318	TJ-S1-05	8,153		18,682	
Rural Education	84.358	RU-S1-05	52,032		52,032	
Improving Teacher Quality State Grants	84.367	TR-S1-04	13,837		20,716	
		TR-S1-05	136,452		141,762	
Total Improving Teacher Quality State Grants			150,289	0	162,478	0
<i>Passed through Shawnee State University</i>						
21st Century Grant Community Learning Centers	84.287	N/A	22,000			
Total United States Department of Education			1,182,421	0	1,214,624	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
State Children's Insurance Program	93.767	N/A	2,675		2,675	
Medical Assistance Program	93.778	N/A	22,161		22,161	
Total United States Department of Health and Human Services			22,161	0	24,836	0
Total Federal Awards Receipts and Expenditures			\$1,527,118	\$46,526	\$1,561,996	\$46,526

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, 2005**

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 Government 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, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 6, 2006. 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 basic 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. In a separate letter to the School District's management dated April 6, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic 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 we must report under *Government Auditing Standards*.

743 E. State St. / Athens Mall Suite B / Athens, OH 45701
Telephone: (740) 594-3300 (800) 441-1389 Fax: (740) 594-2110
www.auditor.state.oh.us

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

April 6, 2006



**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 each of its major federal programs for the year ended June 30, 2005. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each 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 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 Washington-Nile Local School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2005.

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.

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.



Betty Montgomery
Auditor of State

April 6, 2006

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster – CFDA # 10.550, 10.553 and 10.555 Title I Grants to Local Educational Agencies – CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

There were no findings required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

There were no findings for Federal Awards.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
MAY 9, 2006**