



**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY
SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State
Betty Montgomery**

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wheelersburg Local School District
Scioto County
P.O. Box 340
Center Street
Wheelersburg, Ohio 45694

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 Wheelersburg 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 Wheelersburg 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 March 16, 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

March 16, 2006

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

The discussion and analysis of the Wheelersburg Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

- In total, net assets of governmental activities increased \$26,381,893 which represented a significant increase from the prior year. The primary differences reflected on the School District's Statement of Net Assets in relation to the prior fiscal year are related to cash and cash equivalents, intergovernmental receivables, and capital assets, all of which increased due to the activity related to the construction of new facilities.
- General revenues accounted for \$35,124,477 or 91.41 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$3,298,733 or 8.59 percent of total revenues of \$38,423,210.
- The School District had \$12,041,317 in expenses related to governmental activities; only \$3,298,733 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$35,124,477 were used to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Wheelersburg Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and the 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 most significant funds for the Wheelersburg Local School District are the General Fund and the Construction Capital Projects Fund.

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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 Statement 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 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. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Assts and the Statement of Activities, the School District has only one kind of activity:

- Governmental Activities – All of the School District’s educational programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 10. 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 most significant funds.

Wheelersburg Local School District
Management's Discussion and Analysis
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Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the 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 you 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. All of the School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Fiduciary funds use the accrual basis of accounting.

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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 fiscal years 2005 and 2004:

(Table 1)
Net Assets

| | Governmental Activities | | Increase (Decrease) |
|--|-------------------------|--------------------|------------------------|
| | 2005 | 2004 | |
| Assets | | | |
| Current Assets | \$40,102,196 | \$3,599,629 | \$36,502,567 |
| Capital Assets | 4,080,779 | 2,805,586 | 1,275,193 |
| Total Assets | 44,182,975 | 6,405,215 | 37,777,760 |
| Liabilities | | | |
| Long-Term Liabilities | 10,869,552 | 606,478 | 10,263,074 |
| Other Liabilities | 4,173,753 | 3,040,960 | 1,132,793 |
| Total Liabilities | 15,043,305 | 3,647,438 | 11,395,867 |
| Net Assets | | | |
| Invested in Capital Assets, Net of Related Debt | 3,221,373 | 2,805,586 | 415,787 |
| Restricted | 25,672,351 | 188,851 | 25,483,500 |
| Unrestricted | 245,946 | (236,660) | 482,606 |
| Total Net Assets | \$29,139,670 | \$2,757,777 | \$26,381,893 |

A significant increase of \$37,777,760 occurred within total assets when compared to the prior year. Equity in pooled cash and cash equivalents increased \$11,927,708 due primarily to the receipt of proceeds from the sale of General Obligation Bonds to provide for the local share of the Ohio School Facilities Commission Project. Intergovernmental receivables increased \$23,536,929 due to the classroom facilities grant for the construction of new facilities. Capital assets increased by \$1,275,193 due primarily to the purchase of land for the Ohio School Facilities Commission Project and the capitalization of architectural fees for the construction of the new facilities as construction in progress.

Total liabilities increased \$11,395,867. A sizable increase occurred within long-term liabilities due to the issuance of General Obligation Bonds relating to the construction of new facilities. In addition, there was a significant increase in deferred revenue from the prior year as a result of an increase in property taxes relating to the passage of the bond retirement levy for the construction of the new school campus.

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Finally, an area of considerable change was the increase in restricted net assets. This increase is directly related to an increase in revenues of the School District as a result of the classroom facilities grant.

Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

Table 2
Change in Net Assets

| | Governmental Activities | | Increase/ (Decrease) |
|--|-------------------------|---------------------|-------------------------|
| | 2005 | 2004 | |
| Revenues | | | |
| Program Revenues: | | | |
| Charges for Services and Sales | \$1,617,033 | \$1,448,873 | \$168,160 |
| Operating Grants, Contributions and Interest | 1,668,014 | 1,453,325 | 214,689 |
| Capital Grants and Contributions | 13,686 | 93,812 | (80,126) |
| Total Program Revenues | <u>3,298,733</u> | <u>2,996,010</u> | <u>302,723</u> |
| General Revenues: | | | |
| Property Taxes | 2,801,416 | 2,319,230 | 482,186 |
| Grants and Entitlements not Restricted to Specific Programs | 32,085,450 | 6,104,294 | 25,981,156 |
| Contributions and Donations | 1,400 | 4,373 | (2,973) |
| Investment Earnings | 226,449 | 14,116 | 212,333 |
| Miscellaneous | 9,762 | 18,882 | (9,120) |
| Total General Revenues | <u>35,124,477</u> | <u>8,460,895</u> | <u>26,663,582</u> |
| Total Revenues | <u>\$38,423,210</u> | <u>\$11,456,905</u> | <u>\$26,966,305</u> |

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 2
Change in Net Assets
(Continued)

| | Governmental Activities | | Increase/ (Decrease) |
|--|-------------------------|--------------------|-------------------------|
| | 2005 | 2004 | |
| Program Expenses | | | |
| Instruction: | | | |
| Regular | \$6,060,202 | \$5,666,216 | \$393,986 |
| Special | 924,286 | 977,752 | (53,466) |
| Vocational | 4,726 | 10,000 | (5,274) |
| Support Services: | | | |
| Pupils | 521,594 | 545,452 | (23,858) |
| Instructional Staff | 713,154 | 673,775 | 39,379 |
| Board of Education | 39,199 | 45,036 | (5,837) |
| Administration | 731,688 | 728,312 | 3,376 |
| Fiscal | 281,877 | 270,439 | 11,438 |
| Operation and Maintenance of Plant | 862,587 | 813,538 | 49,049 |
| Pupil Transportation | 509,613 | 476,084 | 33,529 |
| Central | 129,268 | 134,556 | (5,288) |
| Operation of Non-Instructional Services: | | | |
| Food Service Operations | 553,138 | 512,087 | 41,051 |
| Extracurricular Activities | 465,951 | 378,237 | 87,714 |
| Interest and Fiscal Charges | 209,034 | 0 | 209,034 |
| Intergovernmental | 35,000 | 38,500 | (3,500) |
| Total Expenses | <u>12,041,317</u> | <u>11,269,984</u> | <u>771,333</u> |
| Increase (Decrease) in Net Assets | 26,381,893 | 186,921 | 26,194,972 |
| Net Assets Beginning of Year | 2,757,777 | 2,570,856 | 186,921 |
| Net Assets End of Year | <u>\$29,139,670</u> | <u>\$2,757,777</u> | <u>\$26,381,893</u> |

Program revenues only represent approximately 9 percent of total revenues and are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues.

As stated previously, general revenues represent 91 percent of the School District's total revenues, and of this amount, over ninety percent is the result of grants and entitlements not restricted to specific programs. Property taxes make up the balance of the School District's general revenues. Other revenue sources, such as contributions and donations and investment earnings, are completely insignificant and somewhat unpredictable revenue sources.

Wheelersburg Local School District
Management's Discussion and Analysis
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Unaudited

A comparison of both program revenues and general revenues to the prior fiscal year reveals many changes. The major change occurred within grants and entitlements not restricted to specific programs, which had an increase of \$25,981,156. This increase is directly related to the classroom facilities grant the School District will receive for the construction of new facilities. The increase in property taxes is the result of a new valuation having been conducted within Scioto County for which the School District began collecting in fiscal year 2005. While overall not significant in dollar amount, investment earnings demonstrated a considerable increase when compared to the prior year. This increase is due to the School District having invested unspent bond proceeds during fiscal year 2005.

The major program expense for governmental activities, as expected, is for instruction, which accounts for 58 percent of all governmental expenses. The instruction category, however, does not include all activities associated with educating students as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. A comparison to the prior fiscal year demonstrates significant changes in two primary areas, instruction and interest and fiscal charges. Instruction expenses increased as a result of salary increases and an increase in payments for community school and open enrollment students. Interest and fiscal charges expenses increased due to incurred costs related to debt activity within the fiscal year for the construction of new facilities.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The Statement of Activities reflects the cost of program services and the charges for services and sales, grants, contributions, and interest offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted State entitlements.

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 | \$6,989,214 | \$6,653,968 | \$4,952,857 | \$4,817,231 |
| Support Services | 3,788,980 | 3,687,192 | 3,341,013 | 3,292,268 |
| Operation of Non- | | | | |
| Instructional Services | 553,138 | 512,087 | 40,282 | 26,429 |
| Extracurricular Activities | 465,951 | 378,237 | 199,398 | 138,046 |
| Interest and Fiscal Charges | 209,034 | 0 | 209,034 | 0 |
| Intergovernmental | 35,000 | 38,500 | 0 | 0 |
| Total Expenses | <u>\$12,041,317</u> | <u>\$11,269,984</u> | <u>\$8,742,584</u> | <u>\$8,273,974</u> |

Wheelersburg Local School District
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Unaudited

Once again, the dependence upon tax revenues and unrestricted State entitlements for governmental activities is demonstrated in the above table. Over 70 percent of instruction activities are supported through taxes and other general revenues. Over 92 percent of non-instructional services costs were covered by program revenues. This is primarily due to cafeteria sales, State and federal subsidies, and donated commodities for food service operations. Just over 57 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of athletic fees, ticket sales, and gate receipts at athletic events. With the substantial reliance on general revenues to maintain the School District's operations, the community's support of Wheelersburg Local School District's students is critical.

The School District's Funds

Information about the School District's most significant funds starts on page 15. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,782,087 and expenditures of \$13,518,042. The net change in fund balance for the fiscal year was most significant in the Construction Capital Projects Fund with an increase of \$10,528,591. This is primarily due to this fund receiving proceeds from the sale of General Obligation Bonds to provide for the local share of the Ohio School Facilities Commission Project.

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. For the General Fund, final budgeted revenues, in the amount of \$9,980,435, were greater than original budgeted revenues, in the amount of \$8,859,633. This difference of 12.65 percent was largely due to a larger increase in tax revenue than originally anticipated and the growth of open enrollment within the School District. The difference between the final budgeted revenues and those actually received was related to property tax revenue.

Final expenditures were budgeted at \$9,397,267, while original expenditures were budgeted at \$8,441,388. This difference of 11.32 percent was largely due to a change in accounting procedures as mandated by the Auditor of State. Prior to fiscal year 2005, open enrollment was only recognized as revenue if the result was a net positive inflow of students. Beginning with fiscal year 2005, the School District began recording gross tuition paid to other school districts for students leaving the Wheelersburg Local School District to attend other districts. This accounting change single-handedly caused the "increase" in expenditures. The School District did not set its original budget to reflect this accounting change.

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Actual General Fund revenues were more than expenditures by \$296,329. This was a result of an increase in intergovernmental revenues relating to increased enrollment within the School District during the current fiscal year and the result of increased local tax revenues. This increase occurred despite an increase in expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$4,080,779 invested in capital assets (net of accumulated depreciation), an increase of \$1,275,193, or 45 percent. Additions to capital assets included the acquisition of land, architectural fees, paving a parking lot, routine computer and computer related purchases, other educational equipment, and school buses. Disposals for the fiscal year included various computer and educational equipment, a school bus, and a car. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

At June 30, 2005, the School District had outstanding general obligation bonds, in the amount of \$9,968,000, for the purpose of retiring the Classroom Facilities Bond Anticipation Notes issued December 28, 2004. The bonds were issued for a twenty-eight year period, with final maturity in fiscal year 2033. The School District's long-term obligations also include an outstanding premium on the debt issue of \$301,261 and compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

Current Issues

The Wheelersburg Local School District consists of one elementary building and one high school building. They were built in 1958 and 1968, respectively. In November 2004, the School District voters approved a 5.4 mill bond issue to fund the required local share (26 percent or \$8,874,000) of an Ohio School Facilities Commission project. The project will replace both school buildings with a single campus facility. The School District has purchased a site to locate the new facility and is in the design development phase.

During the 2004-2005 school year, the School District was rated by the Ohio Department of Education as an Effective School District, having satisfied 19 of 23 indicators, which are based on student proficiency test performance, student attendance and high school graduation rate. In comparison, the average number of indicators satisfied statewide were 11.

Wheelersburg Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, 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 questions about this report or need additional information, contact Mr. George Grice, Treasurer, at Wheelersburg Local School District, P.O. Box 340, Wheelersburg, Ohio 45694, or via e-mail at georgeg@scoca-k12.org.

Wheelersburg Local School District

Statement of Net Assets

June 30, 2005

| | <u>Governmental Activities</u> |
|---|------------------------------------|
| <u>Assets:</u> | |
| Equity in Pooled Cash and Cash Equivalents | \$13,176,729 |
| Materials and Supplies Inventory | 74,365 |
| Accrued Interest Receivable | 6,302 |
| Intergovernmental Receivable | 23,657,926 |
| Prepaid Items | 36,261 |
| Property Taxes Receivable | 2,992,457 |
| Deferred Charges | 158,156 |
| Capital Assets: | |
| Land | 931,568 |
| Construction in Progress | 462,414 |
| Depreciable Capital Assets, Net | <u>2,686,797</u> |
| <i>Total Assets</i> | <u>44,182,975</u> |
| <u>Liabilities:</u> | |
| Accounts Payable | 238,954 |
| Accrued Wages and Benefits Payable | 862,864 |
| Contracts Payable | 65,100 |
| Intergovernmental Payable | 299,039 |
| Accrued Interest Payable | 74,174 |
| Matured Compensated Absences Payable | 17,289 |
| Deferred Revenue | 2,616,333 |
| Long-Term Liabilities: | |
| Due Within One Year | 278,869 |
| Due In More Than One Year | <u>10,590,683</u> |
| <i>Total Liabilities</i> | <u>15,043,305</u> |
| <u>Net Assets:</u> | |
| Invested in Capital Assets, Net of Related Debt | 3,221,373 |
| Restricted for: | |
| Debt Service | 54,739 |
| Capital Projects | 25,441,788 |
| Other Purposes | 175,824 |
| Unrestricted | <u>245,946</u> |
| <i>Total Net Assets</i> | <u><u>\$29,139,670</u></u> |

See accompanying notes to the basic financial statements

Wheelersburg Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

| | Program Revenues | | | Net (Expense) Revenue and Changes in Net Assets | |
|--|--------------------------------------|---|--|--|--------------------|
| Expenses | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities | |
| Governmental Activities | | | | | |
| Instruction: | | | | | |
| Regular | \$6,060,202 | \$1,068,171 | \$209,758 | \$0 | (\$4,782,273) |
| Special | 924,286 | 0 | 752,887 | 0 | (171,399) |
| Vocational | 4,726 | 0 | 5,541 | 0 | 815 |
| Support Services: | | | | | |
| Pupils | 521,594 | 21,897 | 123,483 | 0 | (376,214) |
| Instructional Staff | 713,154 | 34,109 | 206,130 | 0 | (472,915) |
| Board of Education | 39,199 | 0 | 0 | 0 | (39,199) |
| Administration | 731,688 | 0 | 0 | 0 | (731,688) |
| Fiscal | 281,877 | 0 | 0 | 0 | (281,877) |
| Operation and Maintenance of Plant | 862,587 | 0 | 6,941 | 0 | (855,646) |
| Pupil Transportation | 509,613 | 0 | 26,283 | 11,186 | (472,144) |
| Central | 129,268 | 0 | 17,938 | 0 | (111,330) |
| Operation of Non-Instructional Services: | | | | | |
| Food Service Operations | 553,138 | 254,978 | 257,878 | 0 | (40,282) |
| Extracurricular Activities | 465,951 | 237,878 | 26,175 | 2,500 | (199,398) |
| Interest and Fiscal Charges | 209,034 | 0 | 0 | 0 | (209,034) |
| Intergovernmental | 35,000 | 0 | 35,000 | 0 | 0 |
| Total Governmental Activities | \$12,041,317 | \$1,617,033 | \$1,668,014 | \$13,686 | (8,742,584) |

General Revenues

Property Taxes Levied for:

| | |
|---|------------|
| General Purposes | 2,323,767 |
| Debt Service | 389,710 |
| Capital Outlay | 54,206 |
| Other Purposes | 33,733 |
| Grants and Entitlements not Restricted to Specific Programs: | |
| Capital | 25,596,998 |
| Operating | 6,488,452 |
| Contributions and Donations | 1,400 |
| Investment Earnings | 226,449 |
| Miscellaneous | 9,762 |

Total General Revenues 35,124,477

Change in Net Assets 26,381,893

Net Assets at Beginning of Year 2,757,777

Net Assets End of Year \$29,139,670

See accompanying notes to the basic financial statements

Wheelersburg Local School District

Balance Sheet
Governmental Funds
June 30, 2005

| | General | Construction | Other Governmental Funds | Total Governmental Funds |
|--|--------------------|---------------------|--------------------------------|--------------------------------|
| <u>Assets:</u> | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$1,634,396 | \$10,590,063 | \$952,270 | \$13,176,729 |
| Receivables: | | | | |
| Property Taxes | 2,314,160 | 0 | 678,297 | 2,992,457 |
| Intergovernmental | 0 | 23,580,455 | 77,471 | 23,657,926 |
| Accrued Interest | 2,674 | 3,628 | 0 | 6,302 |
| Interfund | 500 | 0 | 0 | 500 |
| Prepaid Items | 29,661 | 0 | 6,600 | 36,261 |
| Materials and Supplies Inventory | 69,444 | 0 | 4,921 | 74,365 |
| <i>Total Assets</i> | <u>\$4,050,835</u> | <u>\$34,174,146</u> | <u>\$1,719,559</u> | <u>\$39,944,540</u> |
| <u>Liabilities:</u> | | | | |
| Accounts Payable | \$170,810 | \$0 | \$68,144 | \$238,954 |
| Contracts Payable | 0 | 65,100 | 0 | 65,100 |
| Accrued Wages and Benefits Payable | 725,147 | 0 | 137,717 | 862,864 |
| Intergovernmental Payable | 253,442 | 0 | 45,597 | 299,039 |
| Interfund Payable | 0 | 0 | 500 | 500 |
| Accrued Interest Payable | 0 | 0 | 21,333 | 21,333 |
| Matured Compensated Absences Payable | 17,289 | 0 | 0 | 17,289 |
| Deferred Revenue | 2,123,129 | 23,580,455 | 672,259 | 26,375,843 |
| <i>Total Liabilities</i> | <u>3,289,817</u> | <u>23,645,555</u> | <u>945,550</u> | <u>27,880,922</u> |
| <u>Fund Balances:</u> | | | | |
| Reserved for Encumbrances | 121,226 | 97,508 | 20,622 | 239,356 |
| Reserved for Property Taxes | 193,705 | 0 | 54,509 | 248,214 |
| Unreserved: | | | | |
| Designated for Future Severance Payments | 198,157 | 0 | 0 | 198,157 |
| Unreserved, Undesignated, Reported in: | | | | |
| General Fund | 247,930 | 0 | 0 | 247,930 |
| Special Revenue Funds | 0 | 0 | 92,517 | 92,517 |
| Debt Service Fund | 0 | 0 | 337,144 | 337,144 |
| Capital Projects Funds | 0 | 10,431,083 | 269,217 | 10,700,300 |
| <i>Total Fund Balances</i> | <u>761,018</u> | <u>10,528,591</u> | <u>774,009</u> | <u>12,063,618</u> |
| <i>Total Liabilities and Fund Balances</i> | <u>\$4,050,835</u> | <u>\$34,174,146</u> | <u>\$1,719,559</u> | <u>\$39,944,540</u> |

See accompanying notes to the basic financial statements

Wheelersburg Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2005

Total Governmental Fund Balances \$12,063,618

*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 | 931,568 | |
| Construction in progress | 462,414 | |
| Other capital assets | 8,554,357 | |
| Accumulated depreciation | <u>(5,867,560)</u> | |
| Total capital assets | | 4,080,779 |

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 | 127,910 | |
| Intergovernmental | 23,628,926 | |
| Interest | <u>2,674</u> | |
| | | 23,759,510 |

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. 158,156

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

| | | |
|---------------------------|------------------|---------------------|
| Bonds payable | (9,968,000) | |
| Bond premium | (301,261) | |
| Accrued interest on bonds | (52,841) | |
| Compensated absences | <u>(600,291)</u> | |
| Total liabilities | | <u>(10,922,393)</u> |

Net Assets of Governmental Activities \$29,139,670

See accompanying notes to the basic financial statements

Wheelersburg Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005

| | General | Construction | Other Governmental Funds | Total Governmental Funds |
|--|------------------|---------------------|--------------------------------|--------------------------------|
| <u>Revenues:</u> | | | | |
| Property Taxes | \$2,316,197 | \$0 | \$449,743 | \$2,765,940 |
| Intergovernmental | 6,259,412 | 2,016,543 | 1,856,349 | 10,132,304 |
| Investment Earnings | 42,956 | 66,441 | 73,880 | 183,277 |
| Increase (Decrease) in Fair Value of Investments | (5,548) | 46,221 | 0 | 40,673 |
| Tuition and Fees | 1,068,171 | 0 | 0 | 1,068,171 |
| Extracurricular Activities | 0 | 0 | 259,775 | 259,775 |
| Customer Sales and Service | 34,109 | 0 | 254,978 | 289,087 |
| Contributions and Donations | 3,000 | 0 | 30,098 | 33,098 |
| Miscellaneous | 9,573 | 0 | 189 | 9,762 |
| <i>Total Revenues</i> | <u>9,727,870</u> | <u>2,129,205</u> | <u>2,925,012</u> | <u>14,782,087</u> |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 5,270,509 | 0 | 717,152 | 5,987,661 |
| Special | 429,983 | 0 | 493,548 | 923,531 |
| Vocational | 4,726 | 0 | 0 | 4,726 |
| Support Services: | | | | |
| Pupils | 393,406 | 0 | 125,460 | 518,866 |
| Instructional Staff | 525,710 | 0 | 199,771 | 725,481 |
| Board of Education | 39,199 | 0 | 0 | 39,199 |
| Administration | 718,681 | 0 | 6,694 | 725,375 |
| Fiscal | 270,006 | 0 | 14,711 | 284,717 |
| Operation and Maintenance of Plant | 869,011 | 0 | 20,139 | 889,150 |
| Pupil Transportation | 488,426 | 0 | 37,186 | 525,612 |
| Central | 98,924 | 0 | 4,729 | 103,653 |
| Operation of Non-Instructional Services: | | | | |
| Food Service Operations | 0 | 0 | 548,997 | 548,997 |
| Other | 0 | 0 | 10,000 | 10,000 |
| Extracurricular Activities | 176,939 | 0 | 248,633 | 425,572 |
| Capital Outlay | 67,602 | 474,614 | 911,221 | 1,453,437 |
| Debt Service: | | | | |
| Interest and Fiscal Charges | 0 | 140,190 | 17,291 | 157,481 |
| Issuance Costs | 0 | 0 | 159,584 | 159,584 |
| Intergovernmental | 0 | 0 | 35,000 | 35,000 |
| <i>Total Expenditures</i> | <u>9,353,122</u> | <u>614,804</u> | <u>3,550,116</u> | <u>13,518,042</u> |
| Excess of Revenues Over (Under) Expenditures | <u>374,748</u> | <u>1,514,401</u> | <u>(625,104)</u> | <u>1,264,045</u> |
| <u>Other Financing Sources (Uses):</u> | | | | |
| General Obligation Bonds Issued | 0 | 8,874,000 | 1,094,000 | 9,968,000 |
| Proceeds from Sale of Capital Assets | 1,411 | 0 | 0 | 1,411 |
| Premium on Debt Issuance | 0 | 0 | 303,977 | 303,977 |
| Transfers In | 0 | 140,190 | 42,291 | 182,481 |
| Transfers Out | (25,000) | 0 | (157,481) | (182,481) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(23,589)</u> | <u>9,014,190</u> | <u>1,282,787</u> | <u>10,273,388</u> |
| <i>Net Change in Fund Balances</i> | 351,159 | 10,528,591 | 657,683 | 11,537,433 |
| <i>Fund Balances at Beginning of Year</i> | 409,859 | 0 | 116,326 | 526,185 |
| <i>Fund Balances End of Year</i> | <u>\$761,018</u> | <u>\$10,528,591</u> | <u>\$774,009</u> | <u>\$12,063,618</u> |

See accompanying notes to the basic financial statements

Wheelersburg 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 \$11,537,433

***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 | 1,155,252 | |
| Construction in progress additions | 462,414 | |
| Depreciation expense | <u>(282,524)</u> | |
| Excess of capital outlay over depreciation expense | | 1,335,142 |

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets is removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

| | | |
|--------------------------------------|-----------------|----------|
| Proceeds from sale of capital assets | (1,411) | |
| Loss on disposal of capital assets | <u>(58,538)</u> | |
| | | (59,949) |

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 | 35,476 | |
| Intergovernmental | 23,602,973 | |
| Interest | <u>2,674</u> | |
| | | 23,641,123 |

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the Statement of Net Assets and does not affect the Statement of Activities.

| | | |
|-------------------|------------------|--------------|
| Proceeds of bonds | (9,968,000) | |
| Premium on bonds | <u>(303,977)</u> | |
| | | (10,271,977) |

Governmental funds report premiums and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the Statement of Activities.

| | | |
|-------------------------------------|--------------|---------|
| Bond issuance costs | 159,584 | |
| Amortization of bond issuance costs | (1,428) | |
| Amortization of bond premium | <u>2,716</u> | |
| | | 160,872 |

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 | 6,187 | |
| Increase in accrued interest payable | (52,841) | |
| Decrease in intergovernmental payable | <u>85,903</u> | |
| Total (increase)/decrease | | <u>39,249</u> |

Change in Net Assets of Governmental Activities \$26,381,893

See accompanying notes to the basic financial statements

Wheelersburg 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

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|---|------------------|-------------|-------------|------------------------------------|
| | Original | Final | | |
| <u>Revenues:</u> | | | | |
| Property Taxes | \$2,212,384 | \$2,569,050 | \$2,288,298 | (\$280,752) |
| Intergovernmental | 6,553,769 | 6,259,412 | 6,259,412 | 0 |
| Investment Earnings | 22,000 | 43,061 | 43,061 | 0 |
| Tuition and Fees | 45,480 | 1,068,171 | 1,068,171 | 0 |
| Customer Sales and Service | 25,000 | 34,109 | 34,109 | 0 |
| Contributions and Donations | 0 | 3,000 | 3,000 | 0 |
| Miscellaneous | 1,000 | 3,632 | 3,632 | 0 |
| <i>Total Revenues</i> | 8,859,633 | 9,980,435 | 9,699,683 | (280,752) |
| <u>Expenditures:</u> | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,382,918 | 5,277,434 | 5,277,434 | 0 |
| Special | 422,503 | 421,302 | 421,302 | 0 |
| Vocational | 4,726 | 4,726 | 4,726 | 0 |
| Other | 202,700 | 0 | 0 | 0 |
| Support Services: | | | | |
| Pupils | 438,779 | 392,590 | 392,590 | 0 |
| Instructional Staff | 479,159 | 532,423 | 532,423 | 0 |
| Board of Education | 49,300 | 41,769 | 41,769 | 0 |
| Administration | 672,774 | 701,287 | 701,287 | 0 |
| Fiscal | 261,655 | 265,180 | 265,180 | 0 |
| Operation and Maintenance of Plant | 811,526 | 875,324 | 875,324 | 0 |
| Pupil Transportation | 453,210 | 528,555 | 528,555 | 0 |
| Central | 101,538 | 103,758 | 103,758 | 0 |
| Extracurricular Activities | 159,600 | 182,928 | 182,928 | 0 |
| Capital Outlay | 1,000 | 69,991 | 69,991 | 0 |
| <i>Total Expenditures</i> | 8,441,388 | 9,397,267 | 9,397,267 | 0 |
| Excess of Revenues Over (Under) Expenditures | 418,245 | 583,168 | 302,416 | (280,752) |
| <u>Other Financing Sources (Uses):</u> | | | | |
| Proceeds from Sale of Capital Assets | 0 | 1,411 | 1,411 | 0 |
| Refund of Prior Year Expenditures | 6,068 | 5,941 | 5,941 | 0 |
| Transfers In | 348,856 | 209,104 | 0 | (209,104) |
| Transfers Out | (368,856) | (514,856) | (25,000) | 489,856 |
| Advances In | 12,061 | 32,061 | 32,061 | 0 |
| Advances Out | (20,000) | (20,500) | (20,500) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | (21,871) | (286,839) | (6,087) | 280,752 |
| Net Change in Fund Balance | 396,374 | 296,329 | 296,329 | 0 |
| <i>Fund Balance at Beginning of Year</i> | 907,087 | 907,087 | 907,087 | 0 |
| <i>Prior Year Encumbrances Appropriated</i> | 144,184 | 144,184 | 144,184 | 0 |
| <i>Fund Balance at End of Year</i> | \$1,447,645 | \$1,347,600 | \$1,347,600 | \$0 |

See accompanying notes to the basic financial statements

Wheelersburg Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2005

| | Private Purpose Trust | Agency |
|--|--------------------------|----------|
| <u>Assets:</u> | | |
| Equity in Pooled Cash and Cash Equivalents | \$318,850 | \$15,880 |
| <u>Liabilities:</u> | | |
| Undistributed Monies | 0 | \$15,880 |
| <u>Net Assets:</u> | | |
| Held in Trust for Scholarships | 289,596 | |
| Unrestricted | 29,254 | |
| Total Net Assets | \$318,850 | |

See accompanying notes to the basic financial statements

Wheelersburg Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

| | Private Purpose Trust |
|--|--------------------------|
| | Scholarship |
| <u>Additions:</u> | |
| Increase in Fair Value of Investments | \$8,363 |
| Interest | 5,204 |
| | 13,567 |
| <u>Deductions:</u> | |
| Payments in Accordance with Trust Agreements | 9,000 |
| | 4,567 |
| <i>Change in Net Assets</i> | <i>4,567</i> |
| <i>Net Assets Beginning of Year</i> | <i>314,283</i> |
| | <i>314,283</i> |
| <i>Net Assets End of Year</i> | <i>\$318,850</i> |
| | <i>\$318,850</i> |

See accompanying notes to the basic financial statements

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Wheelersburg 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

The Wheelersburg 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 was established in 1859 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 17 square miles. It is located in Scioto County, and includes most of Porter Township. It is staffed by 58 non-certificated employees, 100 certificated full-time teaching personnel and seven administrative employees who provide services to 1,484 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one garage.

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 the Wheelersburg 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 five organizations, two of which are defined as jointly governed organizations, two as insurance purchasing pools, and one as a public entity shared risk pool. These organizations are the South Central Ohio Computer Association, the Pilasco-Ross Special Education Regional Resource Center, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, the Ohio School Plan, and the Scioto County Schools Council. These organizations are presented in Notes 18, 19 and 20 to the basic financial statements.

Wheelersburg 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 Wheelersburg 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 normally distinguish between those activities of the School District that are governmental and those that are considered business-type activities; however, the School District has no business-type activities.

The Statement of Net Assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Wheelersburg 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)*

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 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.

B. Fund Accounting

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

Governmental Funds:

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Construction Fund – The Construction Fund is used to account for all intergovernmental monies, debt proceeds and interest received and expended in connection with the contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of new classroom facilities.

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

Wheelersburg 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)*

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 which include a private purpose trust fund used to account for college scholarship donations, and two agency funds which are used to account for student activity programs and to account for miscellaneous donations used for scholarships for which no formal trust agreement has been established.

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 and fiduciary fund financial statements 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.

Wheelersburg 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)*

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.

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 fiscal 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, grants, and 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.

Wheelersburg 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)*

Expenses/Expenditures

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

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.

E. 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 appropriations 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 appropriations 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 of Education. The legal level of control has been established by the Board of Education at the fund type level. The Treasurer maintains budgetary information at the fund, function, and object level and has the authority to allocate appropriations at the fund, function and object level without resolution by the Board of Education.

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 reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriations resolution is subject to amendment by the Board of Education 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 of Education during the fiscal year, including all supplemental appropriations.

F. 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.

Wheelersburg 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 Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Discount Notes, Federal National Mortgage Association Discount Notes, and the State Treasury Asset Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

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 \$42,956, which includes \$28,734 assigned from other School District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents.

G. Inventory

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

H. 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/expense is reported in the fiscal year in which services are consumed.

I. 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.

Wheelersburg 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)*

J. Capital Assets

The School District’s only capital assets are general 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.

All 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 one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not capitalized.

All reported capital assets, except land and construction in progress, are depreciated until only the salvage value of the capital assets remain. 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 | 20 years |
| Buildings and Improvements | 30 years |
| Furniture, Fixtures and Equipment | 5 - 20 years |
| Vehicles | 5 - 12 years |
| Textbooks | 10 years |

K. 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.

L. Compensated Absences

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

Wheelersburg 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.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent that payments come due each period upon the occurrence of employee resignations or retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees are paid.

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. Bonds are recognized as a liability on the governmental fund financial statements when due.

N. Interfund Transactions

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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 to the funds that initially paid for them are not presented on the financial statements.

O. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. The School District also has fund balance designations. Fund balance designations are established to indicate tentative planned expenditures of financial resources. The designations reflect the School District's intentions and are subject to change. Designations are reported as part of unreserved fund balance. Fund equity reserves have been established for encumbrances and property taxes. A designation of fund balance has been established for future severance payments.

Wheelersburg 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 appropriations under State statute.

P. 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, laws, or regulations of other governments. The government-wide Statement of Net Assets reports \$25,549,382 of restricted net assets, of which \$728,497 is restricted by enabling legislation. Net assets restricted for other purposes include activities for food service operations 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.

Q. 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.

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.

Wheelersburg 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 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 GASB Technical Bulletin No. 2004-2 did not affect the presentation of the financial statements.

NOTE 4 – ACCOUNTABILITY

At June 30, 2005, the Food Service and Disadvantaged Pupil Impact Aid Special Revenue Funds had deficit fund balances of \$20,749 and \$44,425, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING *(continued)*

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

| Net Change in Fund Balance | |
|---|-----------|
| GAAP Basis | \$351,159 |
| Adjustments: | |
| Revenue Accruals | (27,899) |
| Expenditure Accruals | 253,325 |
| Unrecorded Cash - Fiscal Year 2004 | 105 |
| Net Decrease in Fair Value of Investments - Fiscal Year 2005 | 10,674 |
| Net Decrease in Fair Value of Investments - Fiscal Year 2004 | (5,126) |
| Advances | 11,561 |
| Encumbrances | (297,470) |
| Budget Basis | \$296,329 |

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

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

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS *(continued)*

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;
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.

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, \$2,154,445 of the School District's bank balance of \$2,254,445 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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.

Investments: As of June 30, 2005, the School District had the following investments. All investments are in an internal investment pool except those investments relating to the Construction Fund.

| | Fair Value | Investment Maturities (in Years) | |
|---|---------------------|----------------------------------|--------------------|
| | | Less than 1 | 1 - 2 |
| Federal Home Loan Bank Notes | \$2,342,064 | \$1,003,744 | \$1,338,320 |
| Federal Home Loan Mortgage Corporation Discount Notes | 4,564,585 | 4,564,585 | 0 |
| Federal National Mortgage Association Discount Notes | 2,556,380 | 2,556,380 | 0 |
| STAROhio | 1,839,944 | 1,839,944 | 0 |
| Totals | <u>\$11,302,973</u> | <u>\$9,964,653</u> | <u>\$1,338,320</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. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

Credit Risk: The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Association Discount Notes 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.

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 Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Association Discount Notes 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.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 6 - DEPOSITS AND INVESTMENTS *(continued)*

Concentration of Credit Risk: The School District places no limit on the amount it may invest in any one issuer. The School District's investments in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Discount Notes, and Federal National Mortgage Association Discount Notes, represents 21 percent, 40 percent, and 23 percent, respectively, of the School District's total investments. The remaining 16 percent is invested in STAROhio.

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.

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.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 7 - PROPERTY TAXES *(continued)*

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 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

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 is deferred.

The amount available as an advance at June 30, 2005, was \$248,214 and is recognized as revenue: \$193,705 in the General Fund, \$46,188 in the Bond Retirement Fund, \$4,277 in the Permanent Improvement Fund, and \$4,044 in the Facility Maintenance Fund. The amount available as an advance at June 30, 2004, was \$169,441 and was recognized as revenue: \$165,806 in the General Fund and \$3,635 in the Permanent Improvement Fund.

The assessed values upon which 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 | \$93,492,140 | 82.34% | \$103,917,200 | 82.92% |
| Public Utility | 15,671,410 | 13.80% | 16,294,720 | 13.00% |
| Tangible Personal Property | 4,380,582 | 3.86% | 5,115,988 | 4.08% |
| Total Assessed Value | <u>\$113,544,132</u> | <u>100.00%</u> | <u>\$125,327,908</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$29.91 | | \$29.91 | |

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005, consisted of property taxes, intergovernmental grants, accrued interest, and interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. All receivable amounts are expected to be received within one year with the exception of the Classroom Facilities Grant. These grant monies will be collected over the life of the construction of the new facilities.

A summary of the principal items of intergovernmental receivables follows:

| | <u>Amounts</u> |
|-------------------------------------|----------------------------|
| Governmental Activities: | |
| Classroom Facilities Grant | \$23,580,455 |
| Title I | 31,574 |
| Title VI-B | 29,942 |
| Title II-A | 8,274 |
| Drug Free Schools | 3,723 |
| Title II-D | 3,692 |
| Student Intervention | 266 |
| Total Intergovernmental Receivables | <u><u>\$23,657,926</u></u> |

During fiscal year 2005, the School District was awarded \$25,596,998 for the construction of new facilities from the Ohio School Facilities Commission.

Wheelersburg 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:

| | <u>Balance At</u> <u>6/30/2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance At</u> <u>6/30/2005</u> |
|---|---------------------------------------|--------------------|-------------------|---------------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$57,308 | \$874,260 | \$0 | \$931,568 |
| Construction in Progress | 0 | 462,414 | 0 | 462,414 |
| Total Capital Assets Not Being Depreciated | <u>57,308</u> | <u>1,336,674</u> | <u>0</u> | <u>1,393,982</u> |
| Depreciable Capital Assets: | | | | |
| Land Improvements | 373,888 | 33,529 | 0 | 407,417 |
| Buildings and Improvements | 5,006,665 | 19,572 | 0 | 5,026,237 |
| Furniture, Fixtures and Equipment | 1,816,215 | 120,405 | (282,987) | 1,653,633 |
| Vehicles | 945,731 | 107,486 | (41,500) | 1,011,717 |
| Textbooks | 455,353 | 0 | 0 | 455,353 |
| Total Depreciable Capital Assets | <u>8,597,852</u> | <u>280,992</u> | <u>(324,487)</u> | <u>8,554,357</u> |
| Total Capital Assets At Historical Cost | <u>8,655,160</u> | <u>1,617,666</u> | <u>(324,487)</u> | <u>9,948,339</u> |
| Less Accumulated Depreciation: | | | | |
| Land Improvements | (212,348) | (9,229) | 0 | (221,577) |
| Buildings and Improvements | (3,562,605) | (88,084) | 0 | (3,650,689) |
| Furniture, Fixtures and Equipment | (1,184,573) | (120,683) | 234,501 | (1,070,755) |
| Vehicles | (480,231) | (64,528) | 30,037 | (514,722) |
| Textbooks | (409,817) | 0 | 0 | (409,817) |
| Total Accumulated Depreciation | <u>(5,849,574)</u> | <u>(282,524) *</u> | <u>264,538</u> | <u>(5,867,560)</u> |
| Total Capital Assets Being Depreciated, Net | <u>2,748,278</u> | <u>(1,532)</u> | <u>(59,949)</u> | <u>2,686,797</u> |
| Governmental Activities Capital Assets, Net | <u>\$2,805,586</u> | <u>\$1,335,142</u> | <u>(\$59,949)</u> | <u>\$4,080,779</u> |

Wheelersburg 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 | \$118,563 |
| Special | 12,062 |
| Support Services: | |
| Pupils | 3,197 |
| Instructional Staff | 10,529 |
| Administration | 7,874 |
| Fiscal | 2,522 |
| Operation and Maintenance of Plant | 17,102 |
| Pupil Transportation | 69,227 |
| Central | 21,109 |
| Operation of Non-Instructional Services | 7,053 |
| Extracurricular Activities | 13,286 |
| Total Depreciation Expense | <u><u>\$282,524</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 contracted with the Selective Insurance Company for property and fleet insurance and inland marine coverage. Insurance coverage provided is as follows:

| | |
|---|---------------|
| Building and Contents replacement cost (\$1,000 deductible) | \$23,109,854 |
| Electronic Data Processing (\$1,000 deductible) | 1,588,832 |
| Equipment in Transit | 1,588,832 |
| Inland Marine Coverage (\$1,000 deductible) | 1,588,832 |
| Boiler and Machinery (\$1,000 deductible) | Blanket Limit |
| Automobile Liability | 1,000,000 |

During fiscal year 2005, the School District joined together with other school districts in Ohio to participate 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).

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - RISK MANAGEMENT *(continued)*

The types and amounts of coverage provided by the Ohio School Plan are as follows:

| | |
|--|-------------|
| General Liability: | |
| Bodily Injury and Property Damage Limit- Each Occurrence and Sexual Abuse Injury Limit - Each Sexual Abuse Offense | \$1,000,000 |
| Personal and Advertising Injury Limit- Each Offense | 1,000,000 |
| Fire Damage - Any One Event Limit | 500,000 |
| Medical Expense - Any One Person Limit | 10,000 |
| Medical Expense - Each Accident Limit | 10,000 |
| General Aggregate Limit | 3,000,000 |
| Products - Completed Operations Limit | 1,000,000 |
| Employee Benefits Liability Endorsement: | |
| Employee Benefits Injury - Each Offense Limit | 1,000,000 |
| Employee Benefits Injury - Aggregate Limit | 3,000,000 |
| Employer's Liability and Stop Gap Endorsement: | |
| Bodily Injury by Accident - Each Accident Limit | 1,000,000 |
| Bodily Injury by Disease - Endorsement Limit | 1,000,000 |
| Bodily Injury by Disease - Each Employee Limit | 1,000,000 |
| Educational Legal Liability Coverage (\$2,500 deductible): | |
| Errors and Omissions Injury Limit | 1,000,000 |
| Errors and Omissions Injury Aggregate Limit | 2,000,000 |
| Employment Practices Injury Limit | 1,000,000 |
| Employment Practices Injury Aggregate Limit | 2,000,000 |
| Defense Costs Cap | 1,000,000 |
| Defense Costs Aggregate Cap | 1,000,000 |

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

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 20), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 10 - RISK MANAGEMENT *(continued)*

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 insures 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 Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

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 43215-3746 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 \$151,935, \$119,852, and \$111,611, respectively; 51.72 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

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 of 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 recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$681,510, \$569,458, and \$561,412, respectively; 82.17 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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.

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 one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$52,424 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 year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

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 2005 fiscal year, the School District paid \$75,403 to fund health care benefits, including the surcharge.

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.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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 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 all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Life Insurance

The School District provides life insurance to most employees through SunLife.

C. Special Termination Benefit Payable

For fiscal years 2003 to 2005, employees eligible to retire were offered a special termination benefit. A bargaining unit employee who becomes eligible under the Ohio Revised Code Section 3307.38 and elects to take service retirement through STRS is entitled to receive a one-time lump-sum payment of \$3,500, less payroll withholdings, to be paid no later than the second payroll in August in the year of notification. For the fiscal year ending June 30, 2005, three individuals retired who were eligible for the \$3,500 bonus. Two of these individuals were paid before fiscal year-end.

D. 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 – OPERATING LEASE - LESSEE DISCLOSURE

The School District leases computers under a noncancelable operating lease. Operating lease payments are reported as function expenditures in both the combined financial statements for the governmental funds and on the budgetary statements. Total operating lease payments in 2005 totaled \$29,298 in the Permanent Improvement Capital Projects Fund.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 14 – OPERATING LEASE - LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments:

| | |
|-----------------------------|------------------------|
| Fiscal Year Ending June 30, | Total Payments |
| 2006 | <u><u>\$21,973</u></u> |

NOTE 15 - LONG-TERM OBLIGATIONS

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

| | Amount Outstanding 6/30/04 | Additions | Deductions | Amount Outstanding 6/30/05 | Amount Due Within One Year |
|---------------------------------|----------------------------------|--------------|------------|----------------------------------|-------------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| General Obligation Bond: | | | | | |
| 2005 Classroom Facilities: | | | | | |
| Term Bonds 5.00% | \$0 | \$2,805,000 | \$0 | \$2,805,000 | \$0 |
| Serial Bonds 3.00 to 5.00% | 0 | 7,163,000 | 0 | 7,163,000 | 188,000 |
| Premium on Debt Issue | 0 | 303,977 | 2,716 | 301,261 | 0 |
| Compensated Absences | 606,478 | 90,517 | 96,704 | 600,291 | 90,869 |
| Total Governmental Activities | | | | | |
| Long-Term Obligations | \$606,478 | \$10,362,494 | \$99,420 | \$10,869,552 | \$278,869 |

2005 Classroom Facilities General Obligation Bonds – On March 15, 2005, the School District issued \$9,968,000 in voted general obligation bonds for the purpose of retiring the Classroom Facilities Bond Anticipation Notes issued December 28, 2004. Current interest bonds were issued in an aggregate principal amount of \$9,968,000. Of these bonds, \$7,163,000 are serial bonds and \$2,805,000 are term bonds. The bonds were issued for a twenty-eight year period with final maturity in December 2032. The bonds will be retired from the Bond Retirement Fund.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 15 - LONG-TERM OBLIGATIONS *(continued)*

The term bonds issued at \$2,805,000 and maturing on December 1, 2027, are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the years and in the respective principal amounts as follows:

| Fiscal Year Ending June 30, | Amount |
|--------------------------------|---------------------------|
| 2029 | \$505,000 |
| 2030 | 535,000 |
| 2031 | 560,000 |
| 2032 | 590,000 |
| 2033 | 615,000 |
| Total | <u><u>\$2,805,000</u></u> |

The serial bonds issued at \$7,163,000, with maturity dates of December 1, 2006, to December 28, 2030, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after June 1, 2015, at the redemption price of 100%.

As of June 30, 2005, \$873,260 of the bond proceeds had been spent toward the project.

Compensated absences will be paid from the General Fund and the Food Service, Disadvantaged Pupil Impact Aid, Title VI-B, Title I, and Title VI-R Special Revenue Funds.

The School District's overall legal debt margin was \$1,716,177 with an unvoted debt margin of \$125,328 at June 30, 2005.

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

| Classroom Facilities General Obligation Bonds - 2005 | | | | | |
|--|----------------------------|---------------------------|------------------------------|-----------------------------|----------------------------|
| Fiscal Year Ending June 30, | Term Bonds Principal | Term Bonds Interest | Serial Bonds Principal | Serial Bonds Interest | Total |
| 2006 | \$0 | \$0 | \$188,000 | \$537,145 | \$725,145 |
| 2007 | 0 | 0 | 215,000 | 436,977 | 651,977 |
| 2008 | 0 | 0 | 215,000 | 430,527 | 645,527 |
| 2009 | 0 | 0 | 220,000 | 424,002 | 644,002 |
| 2010 | 0 | 0 | 230,000 | 417,109 | 647,109 |
| 2011-2015 | 0 | 0 | 1,255,000 | 1,961,218 | 3,216,218 |
| 2016-2020 | 0 | 0 | 1,530,000 | 1,680,900 | 3,210,900 |
| 2021-2025 | 0 | 0 | 1,925,000 | 1,276,626 | 3,201,626 |
| 2026-2030 | 1,040,000 | 229,250 | 1,385,000 | 526,875 | 3,181,125 |
| 2031-2033 | 1,765,000 | 135,125 | 0 | 0 | 1,900,125 |
| Total | <u><u>\$2,805,000</u></u> | <u><u>\$364,375</u></u> | <u><u>\$7,163,000</u></u> | <u><u>\$7,691,379</u></u> | <u><u>\$18,023,754</u></u> |

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 16 – SHORT-TERM OBLIGATIONS

A summary of the note transactions for the fiscal year ended June 30, 2005, follows:

| <u>Types/Issues</u> | <u>Amount Outstanding June 30, 2004</u> | <u>Issued</u> | <u>Retired</u> | <u>Amount Outstanding June 30, 2005</u> |
|--|---|---------------|----------------|---|
| 2005 Classroom Facilities Bond Anticipation Notes - 3.25% | \$0 | \$9,968,000 | \$9,968,000 | \$0 |

On December 28, 2004, the School District issued 3.25 percent Classroom Facilities Bond Anticipation Notes, Series 2004, in the amount of \$9,968,000. The notes matured on June 23, 2005. The notes were issued for the purpose of constructing new educational facilities. The note proceeds were recorded into the Construction and Building Capital Projects Funds. The notes were retired at maturity with the proceeds from the issuance of general obligation bonds.

NOTE 17 - INTERFUND ACTIVITY

As of June 30, 2005, interfund receivables and payables that resulted from various interfund transactions were as follows:

| | |
|----------------|---------------------|
| | Receivable |
| | <u>General Fund</u> |
| Payable | |
| All Other | |
| Nonmajor Funds | <u>\$500</u> |

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 receiving 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.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 17 - INTERFUND ACTIVITY *(continued)*

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

| | Transfers From | | |
|---------------------|----------------|-----------------------------|-----------|
| | General Fund | All Other Nonmajor Funds | Total |
| Transfers To | | | |
| Construction Fund | \$0 | \$140,190 | \$140,190 |
| All Other | | | |
| Nonmajor Funds | 25,000 | 17,291 | 42,291 |
| Totals | \$25,000 | \$157,481 | \$182,481 |

General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. Transfers were also made from the Bond Retirement Debt Service Fund to the Construction and Building Capital Projects Funds to pay interest obligations of the Classroom Facilities Bond Anticipation Notes.

NOTE 18 - 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 Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, Pickaway, Gallia and Lawrence 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 \$32,206 for services provided during the year. Financial information can be obtained from their 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.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS *(continued)*

B. 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.

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 Ross-Pike, 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 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 fiscal year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 20 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members' employees and their dependents, to obtain lower costs for health and dental 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 21 - 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 capital acquisition. Disclosure of this information is required by State statute.

| | Textbooks | Capital Acquisition |
|---|-------------|------------------------|
| Set-aside Reserve Balance as of June 30, 2004 | (\$111,895) | \$0 |
| Current Year Set-aside Requirement | 189,224 | 189,224 |
| Current Year Offsets | 0 | (30,807) |
| Qualifying Disbursements | (162,520) | (200,190) |
| Totals | (\$85,191) | (\$41,773) |
| Set-aside Reserve Balance as of June 30, 2005 | \$0 | \$0 |

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero for textbooks and capital acquisition, only the amount for the textbooks set-aside may be used to reduce the set-aside requirement of future years.

Wheelersburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

NOTE 22 – CONSTRUCTION COMMITMENTS

The School District contracted for the design and construction of new buildings. The outstanding construction commitments at June 30, 2005 are:

| <u>Contractor</u> | <u>Contract Amount</u> | <u>Amount Expended</u> | <u>Balance At June 30, 2005</u> |
|-------------------------|----------------------------|----------------------------|-------------------------------------|
| Tanner, Stone & Company | \$1,918,322 | \$397,314 | \$1,521,008 |
| Bovis Lend Lease, Inc. | 1,745,341 | 65,100 | 1,680,241 |
| Total | <u>\$3,663,663</u> | <u>\$462,414</u> | <u>\$3,201,249</u> |

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

B. Litigation

At fiscal year-end the School District was party to one legal proceeding. The School District received a summons of complaint by an individual who was injured while attending an athletic event on the School District's property. As of February 15, 2006, a tentative settlement has been reached regarding this item with an amount covered under the applicable liability insurance policy. However, at fiscal year-end, the School District was not able to determine what effect, if any, this claim would have on the financial condition of the School District.

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WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

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

| FEDERAL GRANTOR/ Pass Through Grantor Program Title | Pass-Through Entity's Number | Federal CFDA Number | Receipts | Noncash Receipts | Disbursements | Noncash Disbursements |
|---|------------------------------------|---------------------------|--------------------|---------------------|--------------------|--------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Nutrition Cluster: | | | | | | |
| Food Donation | N/A | 10.550 | \$0 | \$41,517 | \$0 | \$41,517 |
| School Breakfast Program | 05PU-2004 | 10.553 | 20,180 | | 20,180 | |
| | 05PU-2005 | | 73,830 | | 73,830 | |
| Total School Breakfast Program | | | 94,010 | 0 | 94,010 | 0 |
| National School Lunch Program | LLP1-2004 | 10.555 | 4,353 | | 4,353 | |
| | LLP1-2005 | | 19,391 | | 19,391 | |
| | LLP4-2004 | | 30,399 | | 30,399 | |
| | LLP4-2005 | | 110,935 | | 110,935 | |
| Total National School Lunch Program | | | 165,078 | 0 | 165,078 | 0 |
| Total Nutritional Cluster | | | 259,088 | 41,517 | 259,088 | 41,517 |
| Team Nutrition Grant | TWSU-2004 | 10.574 | | | 10,000 | |
| Total U.S. Department of Agriculture | | | 259,088 | 41,517 | 269,088 | 41,517 |
| U.S. DEPARTMENT OF EDUCATION | | | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | | | |
| Title I Grants to Local Educational Agencies | C1S1 2004 | 84.010 | 36,249 | | 67,004 | |
| | C1S1 2005 | | 454,659 | | 389,640 | |
| Total Title I Grants to Local Educational Agencies | | | 490,908 | 0 | 456,644 | 0 |
| Special Education Grants to States | 6BPB 2005 | 84.027 | 10,700 | | 10,698 | |
| | 6BSF 2004 | | 11,911 | | 15,150 | |
| | 6BSF 2005 | | 250,769 | | 224,615 | |
| Total Special Education Grants to States | | | 273,380 | 0 | 250,463 | 0 |
| Safe and Drug-Free Schools and Communities State Grants | DRS1 2004 | 84.186 | (500) | | 0 | |
| | DRS1 2005 | | 10,305 | | 10,305 | |
| Total Safe and Drug Free Schools and Communities State Grants | | | 9,805 | 0 | 10,305 | 0 |
| State Grants for Innovative Programs | C2S1 2004 | 84.298 | (10) | | 600 | |
| | C2S1 2005 | | 6,559 | | 6,559 | |
| Total State Grants for Innovative Program | | | 6,549 | 0 | 7,159 | 0 |
| Education Technology State Grants | TJS1 2004 | 84.318 | (1,476) | | 0 | |
| | TJS1 2005 | | 10,381 | | 10,873 | |
| Total Education Technology State Grants | | | 8,905 | 0 | 10,873 | 0 |
| Rural Education | RUS1-2005 | 84.358 | 45,855 | | 16,550 | |
| Improving Teacher Quality State Grants | TRS1 2004 | 84.367 | 11,902 | | 15,349 | |
| | TRS1 2005 | | 105,877 | | 92,986 | |
| Total Improving Teacher Quality State Grants | | | 117,779 | 0 | 108,335 | 0 |
| Total U.S. Department of Education | | | 953,181 | 0 | 860,329 | 0 |
| NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES | | | | | | |
| <i>Passed Through Ohio State Library:</i> | | | | | | |
| State Library Program | | 45.310 | 20,460 | | 19,853 | |
| Total National Foundation on the Arts and the Humanities | | | 20,460 | 0 | 19,853 | 0 |
| Total Federal Awards, Receipts and Expenditures | | | \$1,232,729 | \$41,517 | \$1,149,270 | \$41,517 |

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

**WHEELERSBURG 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.

NOTE C – NEGATIVE RECEIPTS

Safe and Drug-Free Schools and Communities State Grants, CFDA #84.186, funds in the amount of \$500 were carried over from 2004 to the next program year, resulting in a negative receipt of \$500. Education Technology State Grants, CFDA #84.318, funds in the amount of \$1,476 were carried over from 2004 to the next program year, resulting in a negative receipt of \$1,476. State Grants for Innovative Programs, CFDA# 84.298, funds in the amount of \$10 were carried over from 2004 to the next year, resulting in a negative receipt of \$10.



**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**

Wheelersburg Local School District
Scioto County
P.O. Box 340
Center Street
Wheelersburg, Ohio 45694

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 Wheelersburg 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 March 16, 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 opinion 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 March 16, 2006, we reported an other 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*. In a separate letter to the School District's management dated March 16, 2006, we reported an other matter related to noncompliance we deemed immaterial.

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Wheelersburg 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

March 16, 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**

Wheelersburg Local School District
Scioto County
P.O. Box 340
Center Steet
Wheelersburg, Ohio 45694

To the Board of Education:

Compliance

We have audited the compliance of the Wheelersburg 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 Wheelersburg 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. In a separate letter to the School District's management dated March 16, 2006, we reported other matters related to federal noncompliance not requiring inclusion in this report.

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. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report, that we reported to the School District's management in a separate letter dated March 16, 2006.

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

March 16, 2006

**WHEELERSBURG 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? | No |

**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.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|---|
| 2004-001 | Noncompliance Citation/Questioned Costs - The District charged sixty percent of the Title I coordinator's salary and fringe benefits to Title I without the supporting documentation required. | No | Partially corrected. The salary and fringe benefits paid from Title I for contract year 2005 were supported. However, sixty percent of the coordinator's salary was paid from Title I for the four pays in FY2005 that related to contract year 2004. Reissued as Management Letter citation. |
| 2004-002 | Noncompliance citation – There were seven employees whose salaries and fringe benefits were charged one hundred percent to Title I. The District did not obtain the semi-annual certifications required by OMB Cost Principles Circular A-87. | Yes | N/A |



**Auditor of State
Betty Montgomery**

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WHEELERSBURG 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
APRIL 4, 2006**