



**Auditor of State
Betty Montgomery**

**WILLIAMSBURG LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Williamsburg Local School District
Clermont County
549-A West Main Street
Williamsburg, Ohio 45176

To the Board of Education:

We have audited the accompanying general-purpose financial statements of the Williamsburg Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The District is experiencing financial difficulties. These conditions, and management's plan to address these conditions, are described in Note 23.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund type 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 10, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Federal Awards Expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management & Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

March 10, 2004

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**Williamsburg Local School District
 Combined Balance Sheet
 All Fund Types and Account Groups
 June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and Other Debits:</u>				
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$1,961,109	\$41,964	\$310,347	\$43,774
Receivables:				
Taxes	2,413,158	42,805	353,771	0
Accounts	4,309	0	0	0
Interfund	1,250	0	0	0
Prepaid Items	35,725	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	0	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	89,503	0	0	0
Fixed Assets (Net, Where Applicable, of Accumulated Depreciation)	0	0	0	0
<u>Other Debits:</u>				
Amount Available in Debt Service Fund for the Retirement of General Obligations	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	<u><u>\$4,505,054</u></u>	<u><u>\$84,769</u></u>	<u><u>\$664,118</u></u>	<u><u>\$43,774</u></u>

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$62,256	\$44,025	\$0	\$0	\$2,463,475
0	0	0	0	2,809,734
0	0	0	0	4,309
0	0	0	0	1,250
0	0	0	0	35,725
6,482	0	0	0	6,482
700	0	0	0	700
0	0	0	0	89,503
112,656	0	16,083,775	0	16,196,431
0	0	0	356,847	356,847
0	0	0	3,846,806	3,846,806
<u>\$182,094</u>	<u>\$44,025</u>	<u>\$16,083,775</u>	<u>\$4,203,653</u>	<u>\$25,811,262</u>

(continued)

Williamsburg Local School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003
(Continued)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Liabilities,</u>				
<u>Fund Equity and Other Credits:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$36,905	\$14,136	\$0	\$0
Contracts Payable	302	3,413	0	4,151
Accrued Wages and Benefits	488,701	28,919	0	0
Compensated Absences Payable	103,068	0	0	0
Interfund Payable	0	1,250	0	0
Intergovernmental Payable	130,500	1,066	0	0
Deferred Revenue	2,124,758	37,305	307,271	0
Undistributed Monies	0	0	0	0
Due to Students	0	0	0	0
Capital Leases Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
	<u>2,884,234</u>	<u>86,089</u>	<u>307,271</u>	<u>4,151</u>
Total Liabilities				
<u>Fund Equity and Other Credits:</u>				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	134,710	17,769	0	1,200
Reserved for Property Taxes	288,400	5,500	46,500	0
Reserved for Textbooks	89,503	0	0	0
Unreserved:				
Designated for Facilities Maintenance	45,000	0	0	0
Designated for Retirement Payouts	45,000	0	0	0
Undesignated (Deficit)	1,018,207	(24,589)	310,347	38,423
	<u>1,620,820</u>	<u>(1,320)</u>	<u>356,847</u>	<u>39,623</u>
Total Fund Equity (Deficit) and Other Credits				
	<u>1,620,820</u>	<u>(1,320)</u>	<u>356,847</u>	<u>39,623</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$4,505,054</u>	<u>\$84,769</u>	<u>\$664,118</u>	<u>\$43,774</u>

See accompanying notes to the general purpose financial statements

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$0	\$0	\$0	\$0	\$51,041
0	0	0	0	7,866
16,633	0	0	0	534,253
9,814	0	0	571,386	684,268
0	0	0	0	1,250
9,613	0	0	50,432	191,611
0	0	0	0	2,469,334
0	24,581	0	0	24,581
0	19,444	0	0	19,444
0	0	0	51,835	51,835
0	0	0	3,530,000	3,530,000
<u>36,060</u>	<u>44,025</u>	<u>0</u>	<u>4,203,653</u>	<u>7,565,483</u>
0	0	16,083,775	0	16,083,775
146,034	0	0	0	146,034
0	0	0	0	153,679
0	0	0	0	340,400
0	0	0	0	89,503
0	0	0	0	45,000
0	0	0	0	45,000
0	0	0	0	1,342,388
<u>146,034</u>	<u>0</u>	<u>16,083,775</u>	<u>0</u>	<u>18,245,779</u>
<u>\$182,094</u>	<u>\$44,025</u>	<u>\$16,083,775</u>	<u>\$4,203,653</u>	<u>\$25,811,262</u>

Williamsburg Local School District
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<u>Revenues:</u>					
Property Taxes	\$2,337,520	\$42,304	\$347,017	\$0	\$2,726,841
Intergovernmental	4,437,355	372,247	41,270	1,200	4,852,072
Interest	127,209	0	0	334	127,543
Tuition and Fees	118,827	0	0	0	118,827
Rent	173,233	0	0	0	173,233
Extracurricular Activities	3,058	32,200	0	0	35,258
Gifts and Donations	11,246	4,800	0	0	16,046
Miscellaneous	81,750	1,162	0	0	82,912
Total Revenues	7,290,198	452,713	388,287	1,534	8,132,732
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	2,965,003	106,434	0	1,360	3,072,797
Special	530,864	102,501	0	0	633,365
Vocational	78,085	0	0	0	78,085
Support Services:					
Pupils	135,695	100,972	0	0	236,667
Instructional Staff	218,182	103,496	0	16,720	338,398
Board of Education	17,527	0	0	0	17,527
Administration	575,599	14,063	0	0	589,662
Fiscal	218,298	4,057	5,760	0	228,115
Operation and Maintenance of Plant	829,966	27,249	0	0	857,215
Pupil Transportation	538,194	6,000	0	0	544,194
Non-Instructional Services	11,693	3,452	0	0	15,145
Extracurricular Activities	136,274	37,918	0	0	174,192
Capital Outlay	55,844	20,953	0	4,151	80,948
Debt Service:					
Principal Retirement	77,709	0	125,000	0	202,709
Interest and Fiscal Charges	4,315	0	205,843	0	210,158
Total Expenditures	6,393,248	527,095	336,603	22,231	7,279,177
Excess of Revenues Over (Under) Expenditures	896,950	(74,382)	51,684	(20,697)	853,555
<u>Other Financing Sources (Uses):</u>					
Operating Transfers - In	0	2,500	0	0	2,500
Operating Transfers - Out	(42,500)	0	0	0	(42,500)
Total Other Financing Sources (Uses)	(42,500)	2,500	0	0	(40,000)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	854,450	(71,882)	51,684	(20,697)	813,555
Fund Balances at Beginning of Year	766,370	70,562	305,163	60,320	1,202,415
Fund Balances (Deficit) at End of Year	\$1,620,820	(\$1,320)	\$356,847	\$39,623	\$2,015,970

See accompanying notes to the general purpose financial statements

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*Williamsburg Local School District
 Combined Statement of Revenues, Expenditures and
 Changes in Fund Balances - Budget and Actual (Budget Basis)
 All Governmental Fund Types
 For the Fiscal Year Ended June 30, 2003*

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>						
Property Taxes	\$2,285,310	\$2,267,320	(\$17,990)	\$41,104	\$41,104	\$0
Intergovernmental	4,437,728	4,437,355	(373)	383,434	372,247	(11,187)
Interest	147,149	127,209	(19,940)	0	0	0
Tuition and Fees	138,434	124,464	(13,970)	0	0	0
Rent	173,058	173,233	175	0	0	0
Extracurricular Activities	3,012	3,058	46	38,161	32,200	(5,961)
Gifts and Donations	12,855	11,246	(1,609)	0	4,800	4,800
Miscellaneous	170,879	173,234	2,355	0	1,162	1,162
Total Revenues	7,368,425	7,317,119	(51,306)	462,699	451,513	(11,186)
<u>Expenditures:</u>						
Current:						
Instruction:						
Regular	2,946,113	3,022,509	(76,396)	134,267	107,599	26,668
Special	659,016	534,389	124,627	109,852	103,736	6,116
Vocational	82,282	77,834	4,448	0	0	0
Support Services:						
Pupils	212,626	137,809	74,817	96,665	100,972	(4,307)
Instructional Staff	247,675	216,703	30,972	111,155	99,961	11,194
Board of Education	25,715	18,460	7,255	0	0	0
Administration	642,602	582,190	60,412	2,578	14,063	(11,485)
Fiscal	280,351	223,773	56,578	5,050	4,057	993
Operation and Maintenance of Plant	1,234,129	933,561	300,568	52,674	27,877	24,797
Pupil Transportation	660,806	555,059	105,747	7,000	6,000	1,000
Non-Instructional Services	14,000	13,670	330	0	3,452	(3,452)
Extracurricular Activities	128,922	136,402	(7,480)	39,821	38,252	1,569
Capital Outlay	97,835	55,844	41,991	10,467	31,420	(20,953)
Debt Service:						
Principal Retirement	20,000	20,000	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	7,252,072	6,528,203	723,869	569,529	537,389	32,140
Excess of Revenues Over (Under) Expenditures	116,353	788,916	672,563	(106,830)	(85,876)	20,954
<u>Other Financing Sources (Uses):</u>						
Refund of Prior Year Receipts	0	0	0	0	(3,742)	(3,742)
Advances - In	3,200	72,440	69,240	50,000	58,690	8,690
Advances - Out	(200)	(73,690)	(73,490)	(50,000)	(57,440)	(7,440)
Operating Transfers - In	0	0	0	0	2,500	2,500
Operating Transfers - Out	(457,000)	(431,500)	25,500	0	0	0
Total Other Financing Sources (Uses)	(454,000)	(432,750)	21,250	0	8	8
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(337,647)	356,166	693,813	(106,830)	(85,868)	20,962
Fund Balances at Beginning of Year	1,336,112	1,336,112	0	95,610	95,610	0
Prior Year Encumbrances Appropriated	202,377	202,377	0	14,453	14,453	0
Fund Balances at End of Year	\$1,200,842	\$1,894,655	\$693,813	\$3,233	\$24,195	\$20,962

See accompanying notes to the general purpose financial statements

Debt Service Fund			Capital Projects Funds			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$335,116	\$335,117	\$1	\$0	\$0	\$0	\$2,661,530	\$2,643,541	(\$17,989)
41,270	41,270	0	1,200	1,200	0	4,863,632	4,852,072	(11,560)
0	0	0	318	334	16	147,467	127,543	(19,924)
0	0	0	0	0	0	138,434	124,464	(13,970)
0	0	0	0	0	0	173,058	173,233	175
0	0	0	0	0	0	41,173	35,258	(5,915)
0	0	0	0	0	0	12,855	16,046	3,191
0	0	0	0	0	0	170,879	174,396	3,517
<u>376,386</u>	<u>376,387</u>	<u>1</u>	<u>1,518</u>	<u>1,534</u>	<u>16</u>	<u>8,209,028</u>	<u>8,146,553</u>	<u>(62,475)</u>
0	0	0	6,354	1,360	4,994	3,086,734	3,131,468	(44,734)
0	0	0	0	0	0	768,868	638,125	130,743
0	0	0	0	0	0	82,282	77,834	4,448
0	0	0	0	0	0	309,291	238,781	70,510
0	0	0	17,920	17,920	0	376,750	334,584	42,166
0	0	0	0	0	0	25,715	18,460	7,255
0	0	0	0	0	0	645,180	596,253	48,927
10,000	5,760	4,240	0	0	0	295,401	233,590	61,811
0	0	0	0	0	0	1,286,803	961,438	325,365
0	0	0	0	0	0	667,806	561,059	106,747
0	0	0	0	0	0	14,000	17,122	(3,122)
0	0	0	0	0	0	168,743	174,654	(5,911)
0	0	0	37,150	4,151	32,999	145,452	91,415	54,037
514,000	514,000	0	0	0	0	534,000	534,000	0
205,843	205,843	0	0	0	0	205,843	205,843	0
<u>729,843</u>	<u>725,603</u>	<u>4,240</u>	<u>61,424</u>	<u>23,431</u>	<u>37,993</u>	<u>8,612,868</u>	<u>7,814,626</u>	<u>798,242</u>
<u>(353,457)</u>	<u>(349,216)</u>	<u>4,241</u>	<u>(59,906)</u>	<u>(21,897)</u>	<u>38,009</u>	<u>(403,840)</u>	<u>331,927</u>	<u>735,767</u>
0	0	0	0	0	0	0	(3,742)	(3,742)
0	0	0	0	0	0	53,200	131,130	77,930
0	0	0	0	0	0	(50,200)	(131,130)	(80,930)
389,000	389,000	0	0	0	0	389,000	391,500	2,500
0	0	0	0	0	0	(457,000)	(431,500)	25,500
<u>389,000</u>	<u>389,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(65,000)</u>	<u>(43,742)</u>	<u>21,258</u>
35,543	39,784	4,241	(59,906)	(21,897)	38,009	(468,840)	288,185	757,025
270,563	270,563	0	60,320	60,320	0	1,762,605	1,762,605	0
0	0	0	0	0	0	216,830	216,830	0
<u>\$306,106</u>	<u>\$310,347</u>	<u>\$4,241</u>	<u>\$414</u>	<u>\$38,423</u>	<u>\$38,009</u>	<u>\$1,510,595</u>	<u>\$2,267,620</u>	<u>\$757,025</u>

**Williamsburg Local School District
 Combined Statement of Revenues,
 Expenses and Changes in Retained Earnings
 Proprietary Fund Type
 For the Fiscal Year Ended June 30, 2003**

	Enterprise
<u>Operating Revenues:</u>	
Tuition	\$5,250
Sales	205,664
Other Operating Revenues	23,557
Total Operating Revenues	234,471
<u>Operating Expenses:</u>	
Salaries	119,151
Fringe Benefits	42,713
Purchased Services	51,715
Materials and Supplies	22,460
Cost of Sales	106,631
Depreciation	8,502
Other	446
Total Operating Expenses	351,618
Operating Loss	(117,147)
<u>Non-Operating Revenues:</u>	
Interest	591
Federal Donated Commodities	17,499
Federal and State Subsidies	60,364
Total Non-Operating Revenues	78,454
Net Loss Before Operating Transfers	(38,693)
Operating Transfers - In	40,000
Net Income	1,307
Retained Earnings at Beginning of Year	144,727
Retained Earnings at End of Year	\$146,034

See accompanying notes to the general purpose financial statements

Williamsburg Local School District
Combined Statement of Revenues, Expenses and
Changes in Fund Equity - Budget and Actual (Budget Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues:</u>			
Tuition	\$5,250	\$5,250	\$0
Sales	204,514	205,664	1,150
Interest	600	591	(9)
Federal and State Subsidies	63,500	60,364	(3,136)
Other	21,509	23,557	2,048
Total Revenues	<u>295,373</u>	<u>295,426</u>	<u>53</u>
<u>Expenses:</u>			
Salaries	121,000	113,696	7,304
Fringe Benefits	63,700	54,017	9,683
Purchased Services	57,280	42,102	15,178
Materials and Supplies	132,114	116,053	16,061
Other	500	408	92
Total Expenses	<u>374,594</u>	<u>326,276</u>	<u>48,318</u>
Excess of Revenues Over (Under) Expenses	(79,221)	(30,850)	48,371
Advances - In	15,000	15,000	0
Advances - Out	(15,000)	(15,000)	0
Operating Transfers - In	40,000	40,000	0
Excess of Revenues Over (Under) Expenses, Advances and Transfers	(39,221)	9,150	48,371
Fund Equity at Beginning of Year	45,764	45,764	0
Prior Year Encumbrances Appropriated	<u>3,114</u>	<u>3,114</u>	<u>0</u>
Fund Equity at End of Year	<u><u>\$9,657</u></u>	<u><u>\$58,028</u></u>	<u><u>\$48,371</u></u>

See accompanying notes to the general purpose financial statements

**Williamsburg Local School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003**

<u>Increase (Decrease) in Cash and Cash Equivalents:</u>	Enterprise
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$205,664
Cash Received from Tuition Payments	5,250
Cash Received from Other Operating Sources	23,557
Cash Payments to Suppliers for Goods and Services	(153,927)
Cash Payments to Employees for Services	(113,696)
Cash Payments for Employee Benefits	(54,017)
Cash Payments for Other Operating Activities	(408)
Net Cash Used for Operating Activities	(87,577)
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Federal and State Subsidies Received	60,364
Operating Transfers - In	40,000
Short-Term Loans from Other Funds	15,000
Repayment of Short-Term Loans from Other Funds	(15,000)
Net Cash Provided by Noncapital Financing Activities	100,364
 <u>Cash Flows from Investing Activities:</u>	
Interest on Investments	591
Net Increase in Cash and Cash Equivalents	13,378
Cash and Cash Equivalents at Beginning of Year	48,878
Cash and Cash Equivalents at End of Year	\$62,256
 <u>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</u>	
Operating Loss	(\$117,147)
 <u>Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:</u>	
Depreciation	8,502
Donated Commodities Received During the Year	17,499
<u>Changes in Assets and Liabilities:</u>	
Increase in Materials and Supplies Inventory	(47)
Increase in Inventory Held for Resale	(132)
Decrease in Prepaid Items	38
Increase in Accrued Wages and Benefits	632
Decrease in Accounts Payable	(55)
Increase in Compensated Absences Payable	2,067
Increase in Intergovernmental Payable	1,066
Total Adjustments	29,570
Net Cash Used for Operating Activities	(\$87,577)

Non-Cash Transactions: The School District received \$17,499 in donated commodities during the year in the food service enterprise fund.

See accompanying notes to the general purpose financial statements

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Williamsburg 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 1922 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 41 square miles. It is located in Clermont County, and includes all of the Village of Williamsburg and portions of Williamsburg and Jackson Townships.

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 Williamsburg 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 and three as insurance purchasing pools. These organizations are the Hamilton/Clermont Cooperative Association, the U.S. Grant Joint Vocational School, the Clermont County Health Trust, the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 19 and 20 to the general purpose financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial 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 recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types:

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary Fund Type:

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's only proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Fund Type:

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups:

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

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary fund.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary fund.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into retained earnings components. The proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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. Available means that the resources will be collected 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 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 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available as an advance, tuition, student fees, and rentals.

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, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On a modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

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

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate Board of Education appropriations to the function and object level for all funds.

Tax Budget:

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

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

Estimated Resources:

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

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board of Education may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The total of expenditures and encumbrances may not exceed the appropriation totals at the legal level of control.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Board of Education may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the year, including all supplemental appropriations. Formal budgetary integration is employed as a management control device by the Board of Education during the year for all funds, other than agency funds, consistent with statutory provisions.

Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

Lapsing of Appropriations:

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

D. Cash and Cash Equivalents

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

During fiscal year 2003, the School District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). 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, 2003.

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 2003 amounted to \$127,209 which includes \$37,409 assigned from other School District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, 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.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of purchased food held for resale and supplies, and are expensed when consumed.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, 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 year in which services are consumed.

G. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables" and "Interfund Payables."

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

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. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise fund is computed using the straight-line method over an estimated useful life of five to twenty years.

I. Compensated Absences

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

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

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the proprietary fund, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after fiscal year-end are considered not to have used current available financial resources. Capital leases and long-term bonds are reported as a liability of the general long-term obligations account group until due.

Under Ohio law, a debt service fund must be created and used for the payment of operating loans. Generally accepted accounting principles requires the reporting of the liability in the funds that receive the proceeds. To comply with GAAP reporting requirements, the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Long-term obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, and textbooks. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Established by Board resolution, the designations represent monies set-aside by the School District for future expenditures related to facilities maintenance and retirement payouts.

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by statute to be set aside by the School District for the purchase of textbooks and other instructional materials. See Note 17 for additional information regarding set-asides.

N. Estimates

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

O. Total Columns on General Purpose Financial Statements

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

NOTE 3 – ACCOUNTABILITY

The following funds had deficit fund balances for the fiscal year ended June 30, 2003:

	<u>Amount</u>
Special Revenue Funds:	
Title I	\$14,239
Title VI	12,384

The deficits in these funds were created by the recognition of accrued liabilities. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budget Basis) - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget and Actual (Budget Basis) - Proprietary Fund Type are 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/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. The School District repays the State Operating Loan payable from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay the principal have been allocated accordingly.
5. Advances-In and Advances-Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP Basis	\$854,450	(\$71,882)	\$51,684	(\$20,697)
Adjustments:				
Revenue Accruals	26,921	(1,200)	(11,900)	0
Expenditure Accruals	21,002	3,733	0	4,151
Reallocation of Debt	(389,000)	0	389,000	0
Encumbrances	(155,957)	(17,769)	0	(5,351)
Advances	(1,250)	1,250	0	0
Debt Principal Payments	0	0	(389,000)	0
Budget Basis	\$356,166	(\$85,868)	\$39,784	(\$21,897)

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

Net Income/Excess of Revenues Over (Under) Expenses, Advances and Transfers Proprietary Fund Type	
	<u>Enterprise</u>
GAAP Basis	\$1,307
Adjustments:	
Revenue Accruals	(17,499)
Expense Accruals	20,889
Depreciation Expense	8,502
Inventory Held for Resale	132
Materials and Supplies Inventory	47
Encumbrances	(4,228)
Budget Basis	\$9,150

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

Cash on Hand: At fiscal year-end, the School District had \$50 in undeposited cash on hand which is included on the balance sheet of the School District as part of "Equity in Pooled Cash and Cash Equivalents."

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

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$6,114 and the bank balance was \$214,664. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$114,664 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	Carrying/Fair Value
STAROhio	<u>\$2,546,814</u>

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Fund and Governmental Entities that use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents and investments on the combined financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$2,552,978	\$0
Cash on Hand	(50)	0
Investments:		
STAROhio	(2,546,814)	2,546,814
GASB Statement No. 3	\$6,114	\$2,546,814

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax 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.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (continued)

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 2003 represents collections of calendar year 2002 taxes. Real property taxes received in calendar year 2003 were levied after April 1, 2002, on the assessed value listed as of January 1, 2002, 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 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 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 2003 (other than public utility property) represents the collection of 2003 taxes. Tangible personal property taxes received in calendar year 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four 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 Clermont and Brown Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax, collectible delinquent taxes and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations.

The amount available as an advance at June 30, 2003, was \$288,400 in the general fund, \$5,500 in the classroom facilities maintenance special revenue fund, and \$46,500 in the debt service fund. The amount available as an advance at June 30, 2002, was \$218,200 in the general fund, \$4,300 in the classroom facilities maintenance special revenue fund, and \$34,600 in the debt service fund.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$76,618,110	85.98%	\$87,553,750	89.58%
Public Utility	4,110,760	4.61%	4,181,290	4.28%
Tangible Personal Property	8,388,821	9.41%	5,998,045	6.14%
Total Assessed Value	<u>\$89,117,691</u>	<u>100.00%</u>	<u>\$97,733,085</u>	<u>100.00%</u>
 Tax rate per \$1,000 of assessed valuation	 \$45.00		 \$45.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2003, consisted of property taxes and accounts (rent, billings for user charged services, and student fees). All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

NOTE 8 - FIXED ASSETS

A summary of the enterprise fund's fixed assets at June 30, 2003, follows:

Furniture and Equipment	\$218,782
Less: Accumulated Depreciation	<u>(106,126)</u>
Net Fixed Assets	<u>\$112,656</u>

A summary of the changes in general fixed assets during fiscal year 2003 follows:

Asset Category	Balance at 7/1/02	Additions	Deductions	Balance at 6/30/03
Land and Improvements	\$1,454,833	\$101,443	\$0	\$1,556,276
Buildings and Improvements	11,462,537	56,929	0	11,519,466
Furniture, Fixtures and Equipment	2,324,994	26,011	66,214	2,284,791
Vehicles	612,042	111,200	0	723,242
Totals	<u>\$15,854,406</u>	<u>\$295,583</u>	<u>\$66,214</u>	<u>\$16,083,775</u>

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - 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 2003, the School District contracted with Indiana Insurance for property insurance and inland marine coverage, and Harcum-Hyre for liability and fleet insurance.

Insurance coverage provided includes the following:

Building and Contents - replacement cost (\$2,500 deductible)	\$24,098,487
Additional Miscellaneous Property Damage (\$500 deductible)	10,000
Inland Marine Coverage (\$500 deductible)	included above
Additional Inland Marine Coverage	116,509
Automobile Liability (\$0 deductible)	1,000,000

The School District, along with other school districts in Ohio, participates in the Ohio School Plan (OSP), a public entity 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 District pays this annual premium to the OSP. (See Note 20)

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

Educational General Liability:	
Each Occurrence	\$1,000,000
Aggregate Limit	3,000,000
Products - Completed Operations Aggregate Limit	1,000,000
Personal and Advertising injury Limit - Each Offense	500,000
Fire Damage Limit - Any One Event	10,000
Excess Liability:	
Each Occurrence	2,000,000
Aggregate Limit	2,000,000
Employer's Liability:	
Each Occurrence	1,000,000
Disease - Each Employee	1,000,000
Disease - Policy Limit	1,000,000

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

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 9 - RISK MANAGEMENT (continued)

For fiscal year 2003, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 20). 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 Sheakley Uniservice, Inc. provides administrative, cost control, and actuarial services to the GRP.

For fiscal year 2003, the School District participated in the Clermont County Health Trust (the Trust), an insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries (See Note 20).

NOTE 10 - 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 9 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 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 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, 2003, 2002, and 2001 were \$90,927, \$51,467, and \$37,270, respectively; 57.61 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - 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 survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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 20, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$401,027, \$280,154, and \$327,313, respectively; 83.44 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. Contributions to the DC and Combined Plans for fiscal year 2003 were \$12,484 made by the School District and \$11,058 made by the plan members.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 10 - PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System of Ohio. As of June 30, 2003, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio benefit recipients and sponsored 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. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$30,192 for fiscal year 2003.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000 and STRS had 105,300 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, 2003, employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 percent from fiscal year 2002. 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 2003, the minimum pay was established at \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$79,586.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

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, 2002 (the latest information available, were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

Compensated Absences

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

Teachers, administrators, and non-certified 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 220 days for all employees. For non-certified employees, upon retirement, payment is made for 25 percent (one payment) or 35 percent (2 payments) of accrued, but unused sick leave credit to a maximum of 50 days. For certified employees, the School District is offering a retirement incentive during the first year that an employee becomes eligible to retire. The incentive is 60 percent (three payments) or 50 percent (two payments) of accrued, but unused sick leave, up to a maximum of 220 days. If certified employees do not elect retirement in their first year of eligibility, payment is made for 25 percent (one payment) or 35 percent (two payments) of accrued, but unused sick leave credit to a maximum of 220 days.

NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE

In prior years, the School District had entered into a capitalized lease for the acquisition of computer hardware and software. The terms of the agreement provide options to purchase the equipment. The lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the General Purpose Financial Statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$470,027 which is equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in fiscal year 2003 totaled \$57,709.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2003.

Fiscal Year Ending June 30,	Payment
2004	\$15,917
2005	15,917
2006	15,917
2007	9,285
Total Minimum Lease Payments	57,036
Less: Amount Representing Interest	(5,201)
Present Value of Minimum Lease Payments	\$51,835

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

	Amount Outstanding 7/1/02	Additions	Deductions	Amount Outstanding 6/30/03
<u>General Obligation Bonds/Loan:</u>				
1996 School Improvement Bonds - 3.4%	\$3,655,000	\$0	\$125,000	\$3,530,000
1992 Energy Conservation Loan - 5.75%	20,000	0	20,000	0
Total Long-Term Bonds and Loan	3,675,000	0	145,000	3,530,000
Capital Lease Payable	109,544	0	57,709	51,835
Pension Obligation	40,996	50,432	40,996	50,432
Compensated Absences	500,053	558,060	486,727	571,386
Total General Long-Term Obligations	\$4,325,593	\$608,492	\$730,432	\$4,203,653

School Improvement Bonds - In March, 1996, the School District issued \$4,255,000 in voted general obligation bonds for the purpose of constructing a new high school. The bonds were issued at an interest rate of 3.4 percent for a 23 year period with final maturity during fiscal year 2019. The bonds will be repaid from the debt service fund.

Energy Conservation Loan - On October 1, 1992, the School District issued \$135,000 in unvoted general obligation notes for the purpose of providing energy conservation measures for the School District, under the authority of Ohio Revised Code Sections 133.06(G) and 3313.372. The notes were issued for a ten year period with final maturity during fiscal year 2003. The loan was retired from the debt service fund.

Compensated absences and the pension obligation will be paid from the funds from which the employees' salaries are paid. Capital lease obligations will be paid from the general fund.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The School District's overall legal debt margin was \$5,622,825 with an unvoted debt margin of \$97,733 at June 30, 2003.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2003, are as follows:

GENERAL OBLIGATION BONDS			
Fiscal year Ending June 30,	Principal	Interest	Total
2004	\$130,000	\$199,895	\$329,895
2005	140,000	193,885	333,885
2006	145,000	187,400	332,400
2007	150,000	166,253	316,253
2008	185,000	143,769	328,769
2009-2013	1,080,000	565,549	1,645,549
2014-2018	1,380,000	259,500	1,639,500
2019	320,000	8,000	328,000
Total	\$3,530,000	\$1,724,251	\$5,254,251

NOTE 15 - FUND OBLIGATION

A summary of the fund obligation transactions for the year ended June 30, 2003 are as follows:

Fund Type	Balance at 7/1/02	Increase	Decrease	Balance at 6/30/03
General Fund:				
2000 School District Solvency				
Assistance Advance - 0%	\$389,000	\$0	\$389,000	\$0

On April 6, 2002, the Auditor of State declared the School District to be in a state of fiscal watch in accordance with section 3316.03(A) of the Ohio Revised Code. The School District has been granted a Solvency Assistance Advance and has prepared a recovery plan which has been submitted to the State Department of Education for its approval. The Solvency Assistance Advance was issued in anticipation of revenues generated from State foundation payments and matured with the second foundation payment in June, 2003 and was paid from the fund which received the advance proceeds.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 16 – INTERFUND RECEIVABLES/PAYABLES

As of June 30, 2003, receivables and payables that resulted from various interfund transactions were as follows:

Fund Type/Fund	Interfund Receivables	Interfund Payables
General Fund	\$1,250	\$0
Special Revenue Fund:		
Miscellaneous State Grants	0	1,250
Total All Funds	\$1,250	\$1,250

NOTE 17 - SET-ASIDE CALCULATIONS

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

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

	Textbooks	Capital Acquisition	Totals
Set-aside Reserve Balance as of June 30, 2002	\$26,891	\$0	\$26,891
Current Year Set-aside Replacement	138,249	138,249	276,498
Current Year Offsets	0	(4,616)	(4,616)
Qualifying Disbursements	(75,637)	(133,633)	(209,270)
Set-aside Reserve Balance as of June 30, 2003	\$89,503	\$0	\$89,503

The School District set aside additional money in excess of statutory requirements for facilities maintenance and retirement payouts. These amounts are presented on the balance sheet as a designation of fund balance rather than as a reserve and are therefore not included in restricted assets.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 18 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and the preschool program. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2003.

	<u>Food Service</u>	<u>Preschool</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$229,221	\$5,250	\$234,471
Depreciation Expense	8,502	0	8,502
Operating Loss	(81,188)	(35,959)	(117,147)
Donated Commodities	17,499	0	17,499
Federal and State Subsidies	60,364	0	60,364
Operating Transfer - In	0	40,000	40,000
Net Income (Loss)	(2,734)	4,041	1,307
Net Working Capital	24,735	18,457	43,192
Long-Term Liabilities Payable from Revenues	9,814	0	9,814
Total Assets	163,637	18,457	182,094
Total Equity	127,577	18,457	146,034
Encumbrances at June 30, 2003	(4,228)	0	(4,228)

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

A. Hamilton/Clermont Cooperative Association

The Williamsburg Local School District is a participant in a two-county consortium of school districts to operate The Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. 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 districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$51,688 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Al Porter, Director, at their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

B. U.S. Grant Joint Vocational School

The U.S. Grant Joint Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the four participating school district's elected board with an additional representative rotated among the four schools. The Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the U.S. Grant Joint Vocational School, Patti Patton, who serves as Treasurer, at 3046 State Route 125, Bethel, Ohio 45106.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 20 - INSURANCE PURCHASING POOL

A. Clermont County Health Trust

The Clermont County Health Trust (the Trust), an insurance purchasing pool, is a health trust formed to provide affordable and desirable dental, life, medical, and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and are elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, Educational Purchasing Council, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District is responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintains no right to any assets of the Trust. The School District may terminate participation in the Trust for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from Dr. Alexander, Administrator of the Clermont County Health Trust, at P.O. Box 526 Middletown, Ohio 45042.

B. Ohio Association of School Business Officials Workers' Compensation Group Rating Plan

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

The GRP's business and affairs are conducted by a five member Board of Directors. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Ohio School Plan

The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The 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-Hyre 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-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 21 – STATE SCHOOL FUNDING DECISION

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

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

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

NOTE 22 - 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, 2003.

B. Litigation

The School District is party to one legal proceeding. The case is currently pending in the Clermont County Common Pleas Court. No liability has been accrued on the balance sheet. The School District's management is of the opinion that the ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

NOTE 23 – FISCAL WATCH

During fiscal year 2001, the personal property tax collected by the Clermont County Auditor was overestimated by approximately \$748,125. The miscalculation included amounts that were paid directly to the School District from the taxpayer rather than collected by the County from the taxpayer, causing the School District's revenues to be overstated. The error was discovered by the School District in January, 2001. The correction of the error produced an operating deficit in the general fund, as revenues were not large enough to cover expenditures.

The State Auditor's office performed a fiscal watch analysis in April, 2001 that concluded the following conditions existed at June 30, 2001:

- The operating deficit in the general fund exceeded eight percent of the general fund revenues for the prior fiscal year;
- the School District's unencumbered and unreserved cash balance for the preceding fiscal year was less than eight percent of the preceding fiscal year expenditures; and
- the School District has not passed a levy that will eliminate the first two conditions.

Williamsburg Local School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2003

NOTE 23 – FISCAL WATCH (continued)

The School District was placed into Fiscal Watch on April 6, 2001. The School District has submitted a Financial Recovery Plan, as well as obtaining the School District Solvency Assistance Advance which was repaid during fiscal year 2003.

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**WILLIAMSBURG LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$17,499	\$0	\$22,711
National School Lunch Program		10.555	56,970		56,970	
Total U.S. Department of Agriculture - Nutrition Cluster			<u>56,970</u>	<u>17,499</u>	<u>56,970</u>	<u>22,711</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Title I Grants to Local Educational Agencies	C1-S1-02	84.010			15,665	
	C1-S1-03	84.010	147,106		141,623	
			<u>147,106</u>	0	<u>157,288</u>	0
Special Education - Grants to States (IDEA) Part B	6B-SF-02	84.027	1,440		1,440	
	6B-SF-03	84.027	91,684		91,684	
			<u>93,124</u>	0	<u>93,124</u>	0
Safe and Drug Free Schools and Communities-State Grants	DR-S1-02	84.186	0		1,782	
	DR-S1-03	84.186	2,235		2,235	
			<u>2,235</u>	0	<u>4,017</u>	0
2000-State and Local Systematic Improvement Grants	G2-S2-02	84.276	0		2,935	
			<u>0</u>	0	<u>2,935</u>	0
Eisenhower Professional Development State Grants	MS-S1-02	84.281			752	
	MS-S1-03	84.281			5,673	
Total Eisenhower State Grants			<u>0</u>	0	<u>6,425</u>	0
Innovative Educational Program Strategies	C2-S1-02	84.298			3,676	
	C2-S1-03	84.298	1,040		1,040	
			<u>1,040</u>	0	<u>4,716</u>	0
Education Technology State Grants	AT-S1-03	84.318	725		225	
Assistive Technology Infusion Grant	ATS2-02	84.352	7,848		7,848	
	ATS1-02	84.352	12,982		12,982	
			<u>20,830</u>	0	<u>20,830</u>	0
Improving Teacher Quality State Grants, Title II, Part A	TRS1-02	84.367			12,057	
	TRS1-03	84.367	32,994		32,994	
			<u>32,994</u>	0	<u>45,051</u>	0
Comprehensive School Reform Demonstration		84.332	0	0	18,581	
Total Ohio Department of Education			<u>298,054</u>	<u>0</u>	<u>353,192</u>	<u>0</u>
Totals			<u><u>\$355,024</u></u>	<u><u>\$17,499</u></u>	<u><u>\$410,162</u></u>	<u><u>\$22,711</u></u>

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

**WILLIAMSBURG LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - NUTRITION CLUSTER

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair value of the commodities received and consumed. Federal cash receipts are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2003, the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Williamsburg Local School District
Clermont County
549-A West Main Street
Williamsburg, Ohio 45176

To the Board of Education:

We have audited the financial statements of Williamsburg Local School District, Clermont County, Ohio (the District), as of and for the fiscal year ended June 30, 2003, and have issued our report thereon dated March 10, 2004, wherein we noted that the District is experiencing financial difficulties. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 10, 2004.

Williamsburg Local School District
Clermont County
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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 10, 2004



Auditor of State Betty Montgomery

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

Williamsburg Local School District
Clermont County
549-A West Main Street
Williamsburg, Ohio 45176

To the Board of Education:

Compliance

We have audited the compliance of Williamsburg Local School District, Clermont County, Ohio (the District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2003. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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 10, 2004

**WILLIAMSBURG LOCAL SCHOOL DISTRICT
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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WILLIAMSBURG LOCAL SCHOOL DISTRICT

CLERMONT 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
MARCH 30, 2004**