



**Auditor of State  
Betty Montgomery**



**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT  
FAYETTE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Washington Court House City School District  
Fayette County  
306 Highland Avenue  
Washington Court House, Ohio 43160

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Court House City School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Court House City School District, Fayette County, Ohio, as of June 30, 2004, and the respective changes in financial position, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, for the fiscal year ended June 30, 2004, the District reclassified activity formerly reported in the enterprise funds as a business type activity to special revenue funds and governmental activity.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2005, 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.

Management's Discussion and Analysis and the budgetary comparison for the General Fund are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 15, 2005

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Fiscal Year Ended June 30, 2004**  
(Unaudited)

The discussion and analysis of Washington Court House City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June, 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- Net assets of governmental activities increased \$2,770,714 which represents a 59% increase from 2003.
- General revenues accounted for \$16,341,383 in revenue or 85% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,968,236 or 15% of total revenues of \$19,309,619.
- Total assets of governmental activities increased by \$1,809,885 as taxes receivable increased by \$834,458 while cash and other receivables increased by \$939,381.
- The District had \$16,538,905 in expenses related to governmental activities; \$2,968,236 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$16,341,383 were also used to provide for these programs.
- As a major fund, the General Fund had \$15,772,164 in revenues and \$13,942,843 in expenditures. The General Fund's fund balance increased from \$276,903 to \$2,146,364. As a major fund, the Permanent Improvement Fund had \$700,737 in revenues and \$249,688 in expenditures. The Permanent Improvement Fund's fund balance increased from \$587,168 to \$1,038,217.

**Using the Basic Financial Statements**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and the required supplementary information. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide a more detailed look at financial activities.

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

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

### *Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

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

### *Fund Financial Statements*

The analysis of the District's major funds are presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.



***The District has two kinds of funds:***

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

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

**The District as a Whole**

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

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

Table 1  
Net Assets

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Assets		
Current and Other Assets	\$6,895,207	\$8,664,984
Capital Assets	<u>4,038,289</u>	<u>4,078,397</u>
Total Assets	<u>10,933,496</u>	<u>12,743,381</u>
Liabilities		
Long-Term Liabilities	722,558	650,454
Other Liabilities	<u>5,545,161</u>	<u>4,656,436</u>
Total Liabilities	<u>6,267,719</u>	<u>5,306,890</u>
Net Assets		
Invested in Capital		
Assets Net of Debt	3,793,289	3,788,397
Restricted	1,534,414	1,670,642
Unrestricted	<u>(661,926)</u>	<u>1,977,452</u>
Total Net Assets	<u>\$4,665,777</u>	<u>\$7,436,491</u>

Total assets increased \$1,809,885. Equity in pooled cash and cash equivalents increased \$835,013. This increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. Taxes receivable increased \$834,458. This increase is due to increased personal property utility taxes and an increase in advances available from the Fayette County auditor. Total liabilities decreased \$960,829, resulting in a net asset increase of \$2,770,714. The decrease in liabilities is due to decreases in deferred revenue and due in more than one year. The decrease in deferred revenue is due to an increase in delinquent property taxes and the decrease in due in more than one year is due to the pay down of bonds and notes.

Table 2 shows the change in net assets for fiscal year 2004.

Table 2  
Changes in Net Assets

	Governmental Activities <u>2003 Restated</u>	Governmental Activities <u>2004</u>
Revenues		
Program Revenues:		
Charges for Services	\$694,929	\$738,358
Operating Grants	1,682,812	1,891,587
Capital Grants	97,141	338,291
General Revenue:		
Property Taxes	4,019,048	6,505,882
Grants and Entitlements	8,936,143	9,509,392
Other	<u>212,277</u>	<u>326,109</u>
Total Revenues	<u>15,642,350</u>	<u>19,309,619</u>
Program Expenses:		
Instruction	9,416,992	9,695,697
Support Services:		
Pupil and Instructional Staff	1,652,671	1,540,568
School and General Administration,		
Fiscal and Business	1,568,594	1,798,635
Operations and Maintenance	1,404,930	1,492,280
Pupil Transportation	502,858	541,881
Central	99,716	117,900
Operation of Non-Instructional Services	726,496	741,344
Extracurricular Activities	458,436	596,652
Interest and Fiscal Charges	<u>20,842</u>	<u>13,948</u>
Total Expenses	<u>15,851,535</u>	<u>16,538,905</u>
Increase in Net Assets	(209,185)	2,770,714
Beginning Net Assets	<u>4,874,962</u>	<u>4,665,777</u>
Ending Net Assets	<u>\$4,665,777</u>	<u>\$7,436,491</u>

## Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital projects purposes and grants and entitlements comprised 83% of the District's revenues for governmental activities. Property tax revenue increased due to additional amounts available for advance at June 30, 2004. Grants and entitlements increased due to an increase in Title 1 grant receivables.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts do not receive additional property tax revenue from an increase in appraisal value and must regularly return to the voters to maintain a constant level of service. Property taxes made up 34% of revenue for governmental activities for the District in fiscal year 2004.

Instruction comprises 59% of governmental program expenses. Instruction expenses increased due to additional grant funding received in 2004. Support services expenses were 33% of governmental program expenses. Fiscal and business support services increased due to increases in accrued wages and compensated absences. Central support services increased due to purchase of computers and an increase in consortium fees. All other expenses and interest expense was 8%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3  
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	<u>2003 Restated</u>	<u>2004</u>	<u>2003 Restated</u>	<u>2004</u>
Instruction	\$9,416,992	\$9,695,697	\$8,617,925	\$8,636,554
Support Services:				
Pupil and Instructional Staff	1,652,671	1,540,568	1,185,073	1,153,713
School and General Administration,				
Fiscal and Business	1,568,594	1,798,635	1,429,837	1,666,984
Operations and Maintenance	1,404,930	1,492,280	1,326,241	1,153,366
Pupil Transportation	502,858	541,881	473,717	530,662
Central	99,716	117,900	61,623	77,383
Operation of Non-Instructional Services	726,496	741,344	(32,824)	(69,106)
Extracurricular Activities	458,436	596,652	294,219	407,165
Interest and Fiscal Charges	20,842	13,948	20,842	13,948
Total Expenses	<u>\$15,851,535</u>	<u>\$16,538,905</u>	<u>\$13,376,653</u>	<u>\$13,570,669</u>

## The District's Funds

Information about the District's major funds are presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$19,175,315 and expenditures and other financing uses of \$16,866,032. The net change in fund balance for the year was \$2,309,283. The General Fund balance increased \$1,829,134 due to increase in taxes and grants received. The Permanent Improvement Fund balance increased \$451,236 due to an increase in taxes and donations for the visitor stadium project.

## General Fund Budgeting Highlights

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

During the course of fiscal 2004, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$14,550,517, below original budget estimates of \$14,565,346. Of this \$14,829 difference, most was due to a over estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$1,100,002 above the final budgeted amount.

## Capital Assets and Debt Administration

### Capital Assets

At the end of fiscal 2004, the District had \$4,078,397 invested in land, buildings, and equipment. Table 4 shows fiscal 2004 balances compared to fiscal 2003:

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

	<u>Governmental Activities</u>	
	<u>2003 Restated</u>	<u>2004</u>
Land	\$383,734	\$383,734
Buildings and Improvements	2,242,972	2,286,860
Equipment	<u>1,411,583</u>	<u>1,407,803</u>
Total Net Assets	<u>\$4,038,289</u>	<u>\$4,078,397</u>

The increase in capital assets is due to \$492,820 in acquisitions, offset by the recognition of \$452,187 in depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

## Debt

At June 30, 2004, the District had \$215,000 in bonds outstanding, \$30,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5  
Outstanding Debt, at Year End

	Governmental Activities 2003	Governmental Activities 2004
General Obligation Bonds:		
School Improvement	<u>\$245,000</u>	<u>\$215,000</u>

Detailed information relating to capital assets and debt is presented in the Notes to the Basic Financial Statements.

## For the Future

Externally, the Ohio Supreme Court found the State of Ohio in March 1997, to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes which are inherently not "equitable" nor "adequate". The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In 2001, the Ohio legislature crafted a school-funding program to address the Court's concerns.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

With no increase in state funding projected, the District plans to increase revenues by submitting an operating levy to the community in the near future. At this time, the Board has not set the date and amount for the levy. Even though the District is projecting a slight decrease in enrollment, the need for increased revenues is projected for fiscal year 2005. This increased funding will be needed to provide all students a quality education. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

The District has committed itself to financial excellence for many years. All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

## Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ben Teeters, Treasurer at Washington C.H. City School District, 306 Highland Ave., Washington Court House, Ohio 43160. Or E-mail at [wch\\_tres@mveca.org](mailto:wch_tres@mveca.org).

Washington Court House City School District  
Statement of Net Assets  
June 30, 2004

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash	\$2,611,919
Restricted Cash	154,093
Receivables:	
Taxes	5,567,205
Accounts	37,094
Intergovernmental	196,645
Inventory	21,204
Nondepreciable Capital Assets	383,734
Depreciable Capital Assets, Net	<u>3,694,663</u>
 Total Assets	 <u>12,666,557</u>
Liabilities:	
Accounts Payable	156,904
Accrued Wages and Benefits	1,519,811
Accrued Interest Payable	5,196
Deferred Revenue	2,822,701
General Obligation Notes Payable	75,000
Long-Term Liabilities:	
Due Within One Year	160,420
Due In More Than One Year	<u>490,034</u>
 Total Liabilities	 <u>5,230,066</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	3,788,397
Restricted for:	
Special Revenue	444,412
Capital Projects	1,072,137
Set-Aside	154,093
Unrestricted	<u>1,977,452</u>
 Total Net Assets	 <u><u>\$7,436,491</u></u>

See accompanying notes to the basic financial statements.

Washington Court House City School District  
Statement of Activities  
For the Fiscal Year Ended June 30, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$7,260,889	\$86,971	\$492,860	\$0	(\$6,681,058)
Special	1,992,208	128	463,790	0	(1,528,290)
Vocational	78,054	0	0	0	(78,054)
Other	364,546	1,025	14,369	0	(349,152)
<b>Support Services:</b>					
Pupil	656,103	73,112	45,517	0	(537,474)
Instructional Staff	884,465	1,572	266,654	0	(616,239)
General Administration	19,025	0	0	0	(19,025)
School Administration	1,354,597	13,116	115,146	0	(1,226,335)
Fiscal	425,013	8	3,381	0	(421,624)
Operations and Maintenance	1,492,280	11,842	0	327,072	(1,153,366)
Pupil Transportation	541,881	0	0	11,219	(530,662)
Central	117,900	0	40,517	0	(77,383)
Operation of Non-Instructional Services	741,344	361,097	449,353	0	69,106
Extracurricular Activities	596,652	189,487	0	0	(407,165)
Interest and Fiscal Charges	13,948	0	0	0	(13,948)
<b>Total Governmental Activities</b>	<b>16,538,905</b>	<b>738,358</b>	<b>1,891,587</b>	<b>338,291</b>	<b>(13,570,669)</b>

<b>General Revenues:</b>	
Property Taxes Levied for:	
General Purposes	5,985,811
Capital Projects Purposes	520,071
Grants and Entitlements not Restricted to Specific Programs	9,509,392
Unrestricted Contributions	163,853
Investment Earnings	28,086
Other Revenues	134,170
<b>Total General Revenues</b>	<b>16,341,383</b>
<b>Change in Net Assets</b>	<b>2,770,714</b>
<b>Net Assets Beginning of Year, As Restated</b>	<b>4,665,777</b>
<b>Net Assets End of Year</b>	<b>\$7,436,491</b>

See accompanying notes to the basic financial statements.

Washington Court House City School District  
Balance Sheet  
Governmental Funds  
June 30, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>				
Equity in Pooled Cash	\$1,339,507	\$854,339	\$418,073	\$2,611,919
Restricted Cash	154,093	0	0	154,093
<b>Receivables:</b>				
Taxes	5,097,885	469,320	0	5,567,205
Accounts	37,094	0	0	37,094
Intergovernmental	0	0	196,645	196,645
Interfund	19,418	0	0	19,418
Inventory	0	0	21,204	21,204
<b>Total Assets</b>	<b>6,647,997</b>	<b>1,323,659</b>	<b>635,922</b>	<b>8,607,578</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts Payable	114,695	6,287	35,922	156,904
Accrued Wages and Benefits	1,257,610	0	160,215	1,417,825
Compensated Absences	104,185	0	0	104,185
Accrued Interest Payable	968	0	0	968
Interfund Payable	0	0	19,418	19,418
Deferred Revenue	3,024,175	279,155	9,581	3,312,911
General Obligation Notes Payable	0	0	75,000	75,000
<b>Total Liabilities</b>	<b>4,501,633</b>	<b>285,442</b>	<b>300,136</b>	<b>5,087,211</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	240,351	61,071	103,403	404,825
Reserved for Inventory	0	0	21,204	21,204
Reserved for Property Tax Advances	2,073,710	190,165	0	2,263,875
Reserved for Set-Aside	154,093	0	0	154,093
<b>Unreserved, Undesignated, Reported in:</b>				
General Fund	(321,790)	0	0	(321,790)
Special Revenue Funds	0	0	258,183	258,183
Debt Service Funds	0	0	(47,004)	(47,004)
Capital Projects Funds	0	786,981	0	786,981
<b>Total Fund Balances</b>	<b>2,146,364</b>	<b>1,038,217</b>	<b>335,786</b>	<b>3,520,367</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$6,647,997</b>	<b>\$1,323,659</b>	<b>\$635,922</b>	<b>\$8,607,578</b>

See accompanying notes to the basic financial statements.



Washington Court House City School District  
 Reconciliation of Total Governmental Fund Balance to  
 Net Assets of Governmental Activities  
 June 30, 2004

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Total Governmental Fund Balance		\$3,520,367
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,078,397
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	403,805	
Intergovernmental	<u>86,405</u>	
		490,210
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(4,228)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Pension Obligation	(101,986)	
Compensated Absences	<u>(331,269)</u>	
		(433,255)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(215,000)</u>
Net Assets of Governmental Activities		<u>\$7,436,491</u>

See accompanying notes to the basic financial statements.

Washington Court House City School District  
Statement of Revenues, Expenditures  
and Changes in Fund Balance  
Governmental Funds  
For the Fiscal Year Ended June 30, 2004

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Taxes	\$5,615,925	\$486,152	\$0	\$6,102,077
Tuition and Fees	87,147	0	0	87,147
Investment Earnings	17,623	7,156	3,306	28,085
Intergovernmental	9,935,510	41,537	1,865,894	11,842,941
Extracurricular Activities	0	0	251,727	251,727
Charges for Services	0	0	374,811	374,811
Other Revenues	115,959	165,892	41,026	322,877
<b>Total Revenues</b>	<b>15,772,164</b>	<b>700,737</b>	<b>2,536,764</b>	<b>19,009,665</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	6,977,115	0	312,340	7,289,455
Special	1,387,355	0	572,217	1,959,572
Vocational	76,321	0	0	76,321
Other	364,506	0	0	364,506
<b>Support Services:</b>				
Pupil	594,203	0	64,341	658,544
Instructional Staff	538,543	0	331,709	870,252
General Administration	16,883	0	0	16,883
School Administration	1,200,685	0	121,417	1,322,102
Fiscal	409,309	11,348	1,155	421,812
Operations and Maintenance	1,462,533	1,295	1,260	1,465,088
Pupil Transportation	491,522	25,000	0	516,522
Central	45,321	0	89,789	135,110
Operation of Non-Instructional Services	1,659	0	727,748	729,407
Extracurricular Activities	346,673	0	242,655	589,328
Capital Outlay	29,247	212,045	0	241,292
<b>Debt Service:</b>				
Principal Retirement	0	0	30,000	30,000
Interest and Fiscal Charges	968	0	13,570	14,538
<b>Total Expenditures</b>	<b>13,942,843</b>	<b>249,688</b>	<b>2,508,201</b>	<b>16,700,732</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,829,321</b>	<b>451,049</b>	<b>28,563</b>	<b>2,308,933</b>
<b>Other Financing Sources (Uses):</b>				
Proceeds from Sale of Capital Assets	350	0	0	350
Transfers In	102,290	0	63,010	165,300
Transfers (Out)	(62,500)	0	(102,800)	(165,300)
<b>Total Other Financing Sources (Uses)</b>	<b>40,140</b>	<b>0</b>	<b>(39,790)</b>	<b>350</b>
<b>Net Change in Fund Balance</b>	<b>1,869,461</b>	<b>451,049</b>	<b>(11,227)</b>	<b>2,309,283</b>
<b>Fund Balance Beginning of Year</b>	<b>276,903</b>	<b>587,168</b>	<b>347,013</b>	<b>1,211,084</b>
<b>Fund Balance End of Year</b>	<b>\$2,146,364</b>	<b>\$1,038,217</b>	<b>\$335,786</b>	<b>\$3,520,367</b>

See accompanying notes to the basic financial statements.

Washington Court House City School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes  
 in Fund Balance of Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended June 30, 2004

Net Change in Fund Balance - Total Governmental Funds \$2,309,283

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

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	492,820	
Depreciation Expense	<u>(452,187)</u>	40,633

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. The amount of the proceeds must be removed and the gain or loss on the disposal of capital assets must be recognized. This is the amount of the difference between the proceeds and the gain or loss. (525)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	403,805	
Intergovernmental	<u>(103,676)</u>	300,129

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 30,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 590

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

Pension Obligation	(7,356)	
Compensated Absences	<u>97,960</u>	90,604

Change in Net Assets of Governmental Activities \$2,770,714

See accompanying notes to the basic financial statements.

Washington Court House City School District  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2004

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	<u>Private Purpose Trust</u>	<u>Agency</u>
Assets:		
Equity in Pooled Cash	<u>\$339,113</u>	<u>\$28,663</u>
Total Assets	<u>339,113</u>	<u>\$28,663</u>
Liabilities:		
Accounts Payable	216	794
Other Liabilities	<u>0</u>	<u>27,869</u>
Total Liabilities	<u>216</u>	<u>\$28,663</u>
Net Assets:		
Held in Trust	<u>338,897</u>	
Total Net Assets	<u>\$338,897</u>	

See accompanying notes to the basic financial statements.

Washington Court House City School District  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Fiscal Year Ended June 30, 2004

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	Private Purpose Trust
Additions:	
Investment Earnings	\$3,488
Other	<u>65,278</u>
Total Additions	<u>68,766</u>
Deductions:	
Other	<u>64,890</u>
Total Deductions	<u>64,890</u>
Change in Net Assets	3,876
Net Assets Beginning of Year	<u>335,021</u>
Net Assets End of Year	<u><u>\$338,897</u></u>

See accompanying notes to the basic financial statements.

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**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2004**

**1. DESCRIPTION OF THE DISTRICT**

Washington Court House City School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. Washington Court House City School District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 Members) and is responsible for the provision of public education to residents of the District.

The heritage of the Washington Court House City Schools began in 1813 when Samuel Loofborrow converted half of his double log cabin at the corner of Hinde and Paint Streets into a subscription school supported by the parents of his pupils.

Numerous one-room schools sprung up throughout the community during the 1800's. By 1856, a site on North Street was purchased and a new two story eight-room school was built. In 1872, the building was upgraded and shortly thereafter, the system was approved as what was known as a "first grade" school which allowed it to conduct high school level courses.

In 1876, the Washington High School and Fayette County had its first high school graduates when three students, a boy and two girls, received their diplomas after studying Latin, Greek, French, logic, trigonometry, mental and moral philosophy and natural sciences using college textbooks.

Today, the district owns nine major educational facilities: four elementary buildings (Belle Aire, Cherry Hill, Eastside, and Rose Avenue), one middle school (Washington Middle School), one high school (Washington Senior High), Education Service Center (district office), one kindergarten (Sunnyside), and Gardner Park Sports Complex. The total enrollment varies from year to year but averages 2,350 students per year and the average senior class has 130 students graduating.

**REPORTING ENTITY**

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the 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 District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The most significant of the District's accounting policies are described below.

### **MEASUREMENT FOCUS**

#### **Government-wide Financial Statements**

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

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

#### **Fund Financial Statements**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary Funds are reported using the economic resources measurement focus.



## **FUND ACCOUNTING**

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

### **Governmental Funds**

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

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

Permanent Improvement Fund - The permanent improvement fund is used to account for all transactions related to improvements to existing District facilities.

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Agency funds are custodian in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary funds are a private purpose trust, which accounts for scholarship programs for students, and an agency fund which accounts for those student activities which consist of a student body, student president, student treasurer and faculty advisor.

## **BASIS OF ACCOUNTING**

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

## Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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 District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included 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. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes available for advance, grants and interest.

### Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

### Expenses/Expenditures

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

## CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. "Restricted Cash and Investments" represents amounts reserved for capital maintenance set a-side.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2004 amounted to \$28,085.

## INVENTORY

Inventories are presented at cost on a first in, first out basis and are expensed/expensed when used. Inventory consists of food held for resale and consumable supplies.

## CAPITAL ASSETS

All capital 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 District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated, except land. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is allocated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20-40 years
Equipment	3-15 years

## INTERFUND BALANCES

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

## COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 District will compensate the employees for the benefits through paid time off or some other means. The 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 vested method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the expenditures for unpaid compensated absences are recognized when due. The related liability is recorded in the account "compensated absences payable" in the fund from which employees who have accumulated unpaid leave are paid.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u>	<u>Certificated</u>	<u>Administrators</u>	<u>Classified</u>
How Earned	Not Eligible	20 days per year accumulated at 1.667 per month	10-20 days for each service year depending on length of service
Maximum Accumulation	Not Eligible	60 days	60 days
Vested	Not Applicable	Not Applicable	Not Applicable
Termination Entitlement	Not Applicable	Paid upon termination	Paid upon termination
<u>Sick Leave</u>			
How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	Contract year +15 days (Range from 200-220 days)	Contract year +15 days (Range from 200-220 days)	Contract year +15 days (Range from 200-220 days)
Termination Entitlement	Per Contract	Per Contract	Per Contract

## NET ASSETS

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

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

## **INTERFUND ACTIVITY**

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

## **FUND EQUITY**

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances and property tax advances. The reserve for property tax advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

## **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.

## **RESTRICTED ASSETS**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. A corresponding fund balance reserve has also been established.

### **3. CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) Repurchase agreements in the securities enumerated above.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds and other obligations of the State of Ohio.
- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.

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 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was \$3,133,788. The bank balance of deposits was \$2,926,186 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$2,826,186 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that all times the total value of the securities so pledged is at least equal to 110% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

#### **4. PROPERTY TAXES**

Real property taxes collected in 2004 were levied in April on the assessed values as of January 1, 2003, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2004, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2004, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2004. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2004. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2004, was \$2,073,710 for General Fund and \$190,165 for Capital Projects, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2004 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$177,367,580
Public Utility Personal	5,290,770
Tangible Personal Property	<u>24,277,790</u>
 Total	 <u>\$206,936,140</u>

## 5. RECEIVABLES

Receivables at June 30, 2004, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

## 6. CAPITAL ASSETS

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

	Beginning Balance <u>Restated</u>	<u>Additions</u>	<u>Deductions</u>	Ending Balance
<b>Government Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$383,734	\$0	\$0	\$383,734
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	2,927,898	226,593	0	3,154,491
Equipment	<u>5,680,274</u>	<u>266,227</u>	<u>5,914</u>	<u>5,940,587</u>
<b>Total Capital Assets, being depreciated</b>	<u>8,608,172</u>	<u>492,820</u>	<u>5,914</u>	<u>9,095,078</u>
Totals at Historical Cost	<u>\$8,991,906</u>	<u>\$492,820</u>	<u>\$5,914</u>	<u>\$9,478,812</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$684,926	\$182,705	\$0	\$867,631
Equipment	<u>4,268,691</u>	<u>269,482</u>	<u>5,389</u>	<u>4,532,784</u>
Total Accumulated Depreciation	<u>\$4,953,617</u>	<u>\$452,187</u>	<u>\$5,389</u>	<u>\$5,400,415</u>
Governmental Activities Capital Assets, Net	<u>\$4,038,289</u>	<u>\$40,633</u>	<u>\$525</u>	<u>\$4,078,397</u>



Depreciation expense was charged to governmental functions as follows:

Instruction:		
Regular		\$220,704
Special		34,969
Vocational		2,248
Other		2,231
Support Services:		
Pupil		16,341
Instructional Staff		28,854
General Administration		2,142
School Administration		9,561
Fiscal		3,149
Operations and Maintenance		35,320
Pupil Transportation		57,278
Central		11,569
Operation of Non-instructional Service		7,352
Extracurricular Activities		<u>20,469</u>
Total Depreciation Expense		<u>\$452,187</u>

## 7. NOTES PAYABLE

During the year ended June 30, 2004, the following changes occurred in short-term notes payable.

	<u>Balance</u> <u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>End of Year</u>
Notes Payable	\$100,000	\$75,000	\$100,000	\$75,000

## 8. LONG-TERM LIABILITIES

	<u>Maturity</u> <u>Dates</u>	<u>Beginning</u> <u>Principal</u> <u>Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Principal</u> <u>Outstanding</u>	<u>Due In</u> <u>One Year</u>
<u>Governmental Activities:</u>						
School Improvement 2000 5.90%	9/01/09	\$245,000	\$ 0	\$30,000	\$215,000	\$30,000
Compensated Absences		<u>477,558</u>	<u>71,527</u>	<u>113,631</u>	<u>435,454</u>	<u>130,420</u>
Total Governmental Activities Long-Term Liabilities		<u>\$722,558</u>	<u>\$71,527</u>	<u>\$143,631</u>	<u>\$650,454</u>	<u>\$160,420</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>General Obligation Bonds</u>			
Fiscal Year <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$30,000	\$11,800	\$41,800
2006	35,000	9,883	44,883
2007	35,000	7,818	42,818
2008	35,000	5,753	40,753
2009	40,000	3,540	43,540
2010	<u>40,000</u>	<u>1,180</u>	<u>41,180</u>
Totals	<u>\$215,000</u>	<u>\$39,974</u>	<u>\$254,974</u>

## 9. PENSION PLANS

### SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 10% 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% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$312,864, \$304,476, and \$317,820 respectively; 51.1% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

### STATE TEACHERS RETIREMENT SYSTEM

The School District participates in State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371 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% 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 DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 9.5%. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for members and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,094,688, \$1,047,300, and \$1,000,596 respectively; 83.2% has been contributed for fiscal year 2004 and 100% for fiscal year 2003 and 2002.

## **10. POST EMPLOYMENT BENEFITS**

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

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, 2004, 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 \$92,408 for the fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based upon years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$24,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$142,033.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of 300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

## **11. CONTINGENT LIABILITIES**

### **GRANTS**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2004.

## **LITIGATION**

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

## **12. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers.

General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 for automobile liability.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$36,318,209.

The District pays all elected and appointed officials' bonds by statute.

As a benefit for employees of the Washington Court House City School District, the District makes available health, dental, and term life insurance for all regular employees who desire coverage. The District pays a portion of the health and dental insurance. The District pays 100% of the term life insurance, single hospitalization, and single dental. The District pays 85% of the family dental, and 80% of the family hospitalization, with the exception of the administrative staff. The District pays 81% of the family hospitalization and 85% of the family dental for administrative staff. The balance remaining on all employees' benefits are deducted through payroll.

## **13. JOINTLY GOVERNED ORGANIZATIONS**

The Miami Valley Educational Computer Association (MVECA) is a governmental joint venture consisting of 27 school districts. The joint 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. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member's school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school district to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education and its own governing board. The governing board is made up of Superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Clinton-Fayette-Highland Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and Federal and State grants.

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

**15. ACCOUNTABILITY**

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$10,885
Special Enterprise	3,818
Debt Service Fund	47,004

The deficit in fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

**16. FUND BALANCE RESERVES FOR SET-ASIDES**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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.

For fiscal year ended June 30, 2004, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve (Carry Forward) Balance as of June 30, 2003	(\$221,525)	\$ 0
Current Year Set-aside Requirement	327,051	327,051
Qualified Disbursements	(461,606)	0
Current Year Offsets	<u>0</u>	<u>(172,958)</u>
Total Set-Aside Reserve Balance as of June 30, 2004	<u>(\$356,080)</u>	<u>\$154,093</u>
Carry Forward to FY 2005	<u>(\$356,080)</u>	

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$221,525 resulting in \$356,080 for carryover to offset textbook requirements in future years.

## 17. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2004, consisted of the following individual fund receivables and payables:

	Interfund		Transfers	
	<u>Receivable</u>	<u>Payable</u>	<u>In</u>	<u>Out</u>
General Fund	<u>\$19,418</u>	<u>\$0</u>	<u>\$102,290</u>	<u>\$62,500</u>
Nonmajor Funds:				
Special Education	0	13,500	0	0
Drug Free Schools	0	2,100	0	0
Special Enterprise	0	3,818	0	0
Public School	0	0	510	0
Uniform School Supply	0	0	2,500	0
Recreation	0	0	0	510
Debt Service	<u>0</u>	<u>0</u>	<u>60,000</u>	<u>102,290</u>
Total Nonmajor Funds	<u>0</u>	<u>19,418</u>	<u>63,010</u>	<u>102,800</u>
Total All Funds	<u>\$19,418</u>	<u>\$19,418</u>	<u>\$165,300</u>	<u>\$165,300</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

## 18. PRIOR PERIOD ADJUSTMENT

The beginning net asset/fund balances of other governmental funds and governmental activities has been adjusted for the reclassification of enterprise funds to special revenue funds as follows:

	<u>District Wide Financial Statements</u>		<u>Fund Financial Statements</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Other Governmental Funds</u>
June 30, 2003 Fund Balance			
Net Assets, as previously stated	\$4,593,770	\$72,007	\$272,715
Fund Reclassification	<u>72,007</u>	<u>(72,007)</u>	<u>35,552</u>
June 30, 2003 Fund balance/ Net Assets, as restated	<u>\$4,665,777</u>	<u>\$0</u>	<u>\$308,267</u>

The District reclassified the enterprise funds to special revenue funds because the enterprise funds are funded mostly by sales, however the enterprise fund revenue needs grants and transfers from the general fund to break even.



**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

Washington Court House City School District  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual (Non-GAAP Budgetary Basis)  
 For the Fiscal Year Ended June 30, 2004

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Taxes	\$4,435,888	\$4,431,372	\$4,431,372	\$0
Tuition and Fees	54,075	54,020	54,020	0
Investment Earnings	17,641	17,623	17,623	0
Intergovernmental	9,945,636	9,935,510	9,935,510	0
Other Revenues	112,106	111,992	111,992	0
<b>Total Revenues</b>	<b>14,565,346</b>	<b>14,550,517</b>	<b>14,550,517</b>	<b>0</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	7,132,832	7,353,175	6,945,719	407,456
Special	1,434,088	1,513,550	1,396,468	117,082
Vocational	76,252	77,537	74,252	3,285
Other	375,852	388,218	365,992	22,226
<b>Support Services:</b>				
Pupil	618,287	635,017	602,068	32,949
Instructional Staff	559,116	636,050	544,449	91,601
General Administration	17,338	18,648	16,883	1,765
School Administration	1,282,451	1,302,988	1,248,809	54,179
Fiscal	440,652	445,570	429,093	16,477
Operations and Maintenance	1,491,864	1,529,284	1,452,729	76,555
Pupil Transportation	519,233	536,420	505,612	30,808
Central	65,439	78,526	63,722	14,804
Operation of Non-Instructional Services	1,859	9,646	1,810	7,836
Extracurricular Activities	357,041	389,148	347,675	41,473
Capital Outlay	54,569	134,644	53,138	81,506
<b>Total Expenditures</b>	<b>14,426,873</b>	<b>15,048,421</b>	<b>14,048,419</b>	<b>1,000,002</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>138,473</b>	<b>(497,904)</b>	<b>502,098</b>	<b>1,000,002</b>
<b>Other financing sources (uses):</b>				
Proceeds from Sale of Capital Assets	350	350	350	0
Advances In	75,480	75,403	75,403	0
Advances (Out)	(16,020)	(15,600)	(15,600)	0
Transfers (Out)	(64,184)	(162,500)	(62,500)	100,000
<b>Total Other Financing Sources (Uses)</b>	<b>(4,374)</b>	<b>(102,347)</b>	<b>(2,347)</b>	<b>100,000</b>
<b>Net Change in Fund Balance</b>	<b>134,099</b>	<b>(600,251)</b>	<b>499,751</b>	<b>1,100,002</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>810,203</b>	<b>810,203</b>	<b>810,203</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$944,302</b>	<b>\$209,952</b>	<b>\$1,309,954</b>	<b>\$1,100,002</b>

See accompanying notes to the required supplementary information.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2004**

**1. BUDGETARY PROCESS**

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2004.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Board during the year.

While the District is reporting financial position, results of operations and changes in fund balance 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 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual 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 as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$1,869,461
Net Adjustment for Revenue Accruals	(1,248,534)
Net Adjustment for Expenditure Accruals	62,465
Encumbrances	<u>(183,641)</u>
Budget Basis	<u>\$499,751</u>

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT  
FAYETTE COUNTY, OHIO**

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$89,067	\$0	\$89,067
National School Lunch Program	LLP4-2004	10.555	248,615	0	248,615	0
National School Breakfast Program	LLP4-2003 05-PU-2004 05-PU-2003	10.553	42,589	0	42,589	0
Total Nutrition Cluster			291,204	89,067	291,204	89,067
Total U.S. Department of Agriculture			<b>291,204</b>	<b>89,067</b>	<b>291,204</b>	<b>89,067</b>
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2004 6B-SF-2003	84.027	371,978	0	385,400	0
Handicapped Preschool	PG-S1-2004 PG-S1-2003	84.173	18,522	0	18,522	0
Total Special Education Cluster			<b>390,500</b>	<b>0</b>	<b>403,922</b>	<b>0</b>
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2004 C1-S1-2003	84.010	522,760	0	517,357	0
Innovative Educational Program Strategies	C2-S1-2004 C2-S1-2003	84.298	12,381	0	11,723	0
School Renovation, IDEA and Technology A.T.I.P.	AT-S1-2001 AT-S2-2002 AT-S3-2002 AT-S4-2002	84.352A	0	0	7,780	0
Virtual Learning	TJ-S1-2004	84.318	8,065	0	7,526	0
Drug-Free Schools Grant	DR-S1-2004 DR-S1-2003	84.186	26,110	0	28,133	0
Improving Teacher Quality Title II A	TR-S1-2004 TR-S1-2003	84.367	132,358	0	130,771	0
Total Department of Education			<b>1,092,174</b>	<b>0</b>	<b>1,107,212</b>	<b>0</b>
<b><u>U.S. Office of Library Services</u></b>						
<i>Passed Through State Library of Ohio:</i>						
LSTA Lib. Auto. Grant	N/A	45.310	5,327	0	7,725	0
Total Office of Library Services			<b>5,327</b>	<b>0</b>	<b>7,725</b>	<b>0</b>
<b><u>U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES</u></b>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fund System (CAFS)	N/A	93.778	24,547	0	24,547	0
Total Department of Mental Retardation and Developmental Disabilities			24,547	0	24,547	0
<b>Totals</b>			<b>\$1,413,252</b>	<b>\$89,067</b>	<b>\$1,430,688</b>	<b>\$89,067</b>

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

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT  
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A--SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B—CHILD NUTRITION CLUSTER**

Program regulations do not require the Government to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C – COMMUNITY ALTERNATIVE FUNDING SYSTEM**

Receipts for the grant are posted to the General Fund. It is assumed that federal monies are expended first.



## **Auditor of State Betty Montgomery**

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

Washington Court House City School District  
Fayette County  
306 Highland Avenue  
Washington Court House, Ohio 43160

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Washington Court House City School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 15, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the Washington Court House City School 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. However, we noted certain instances of noncompliance that do not require inclusion in this report that we have reported to management of the District in a separate letter dated March 15, 2005.

#### **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 15, 2005.

Washington Court House City School District  
Fayette 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, Board of Education and management, 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 15, 2005





## Auditor of State Betty Montgomery

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

Washington Court House City School District  
Fayette County  
306 Highland Avenue  
Washington Court House, Ohio 43160

To the Board of Education:

#### Compliance

We have audited the compliance of Washington Court House City School District, Fayette 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 is applicable to its major federal program for the year ended June 30, 2004. The District's major federal programs are 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 programs are 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 each of its major federal programs for the year ended June 30, 2004.

#### 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. We noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 15, 2005.

This report is intended for the information and use of the audit committee, management, the Board of Education, and 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 15, 2005

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT  
FAYETTE COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 ' .505  
JUNE 30, 2004

**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):	<b>Child Nutrition Cluster:</b> Food Donation CFDA #10.550 School Breakfast CFDA #10.553 School Lunch CFDA #10.555 <b>Special Education Cluster:</b> Title VIB, CFDA #84.027 Handicapped Preschool, CFDA #84.173 <b>Title 1</b> CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

None.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None.



**Auditor of State  
Betty Montgomery**

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**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT  
FAYETTE COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 5, 2005**