



**Auditor of State
Betty Montgomery**

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budget Basis) – General Fund.....	19
Statement of Fiduciary Net Assets – Fiduciary Funds.....	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	21
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Receipts and Expenditures.....	55
Notes to the Schedule of Federal Awards Receipts and Expenditures	56
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	57
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	59
Schedule of Findings and Questioned Costs - <i>OMB Circular A-133 §.505</i>	61
Corrective Action Plan - <i>OMB Circular A-133 §.315(c)</i>	65

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the Wheelersburg Local School District, Scioto County, Ohio, as of June 30, 2004, and the respective changes in financial position and the budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

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

Management's Discussion and Analysis is not a required part of the basic financial statements but is 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 School District's basic financial statements. The Schedule of Federal Awards Receipts and Expenditures is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Receipts and Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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 3, 2005

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

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

Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- Net assets of governmental activities increased \$186,921 due to an increase in resident enrollment and a record number of open enrollment students for fiscal year 2004
- Total assets of governmental activities increased by \$200,619. Capital assets decreased by \$31,312 due to current year depreciation. Total current assets increased \$231,931 due primarily to an increase in open enrolment, parity aid, and General fund cash expenditures being considerably less than the cash receipts.
- General revenues accounted for \$8,460,895 or 73.85 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$2,996,010 or 26.15 percent of total revenues of \$11,456,905.
- The School District had \$11,269,984 in expenses related to governmental activities; only \$2,996,010 of these expenses were offset by program specific charges for services, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$8,460,895 were used to provide for these programs.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

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

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

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

Fiduciary Funds - The School District's fiduciary funds are a private purpose trust fund and two agency funds. All of the School District's fiduciary funds are reported in a separate Statement of Fiduciary Net Assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds use the accrual basis of accounting.

The School District as a Whole

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

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

(Table 1)
Net Assets
Governmental Activities

	<u>2004</u>	<u>2003</u>
Assets		
Current and Other Assets	\$3,599,629	\$3,367,698
Capital Assets	<u>2,805,586</u>	<u>2,836,898</u>
Total Assets	<u>6,405,215</u>	<u>6,204,596</u>
Liabilities		
Other Liabilities	(3,040,960)	(3,161,348)
Long-Term Liabilities	<u>(606,478)</u>	<u>(472,392)</u>
Total Liabilities	<u>(3,647,438)</u>	<u>(3,633,740)</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	2,805,586	2,836,898
Restricted	188,851	317,752
Unrestricted (Deficit)	<u>(236,660)</u>	<u>(583,794)</u>
Total Net Assets	<u>\$2,757,777</u>	<u>\$2,570,856</u>

Total assets increased \$200,619. Equity in pooled cash and cash equivalents increased \$195,509 due primarily to an increase in open enrolment, parity aid, and General fund cash expenditures being considerably less than the cash receipts. Current liabilities decreased \$120,388 due primarily to a decrease in accounts payable. For fiscal year 2004, the School District paid for May technology purchases before fiscal year-end. In prior years, these purchases were not paid until after fiscal year-end. Long-term liabilities increased \$134,086 due to an increase in compensated absences. Capital Assets decreased by \$31,312 due to current year depreciation.

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

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

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years.

(Table 2)

Change in Net Assets
Governmental Activities

	<u>2004</u>
Revenues	
Program Revenues:	
Charges for Services and Sales	\$1,448,873
Operating Grants, Contributions, and Interest	1,453,325
Capital Grants and Contributions	93,812
Total Program Revenues	<u>2,996,010</u>
General Revenues:	
Property Taxes	2,319,230
Grants and Entitlements not Restricted to Specific Programs	6,104,294
Contributions and Donations	4,373
Investment Earnings	14,116
Miscellaneous	18,882
Total General Revenues	<u>8,460,895</u>
Total Revenues	<u>\$11,456,905</u>

(continued)

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

(Table 2)
Change in Net Assets
Governmental Activities
(continued)

	<u>2004</u>
Program Expenses	
Instruction:	
Regular	\$5,666,216
Special	977,752
Vocational	10,000
Support Services:	
Pupils	545,452
Instructional Staff	673,775
Board of Education	45,036
Administration	728,312
Fiscal	270,439
Operation and Maintenance of Plant	813,538
Pupil Transportation	476,084
Central	134,556
Operation of Non-Instructional Services	512,087
Extracurricular Activities	378,237
Intergovernmental	38,500
Total Expenses	<u>11,269,984</u>
Increase in Net Assets	<u><u>\$186,921</u></u>

Grants and Entitlements not Restricted to Specific Programs made up 53.28 percent of the total revenue for governmental activities of the Wheelersburg Local School District for fiscal year 2004. Property Tax revenue made up 20.24 percent of the total revenue for governmental activities for a total of 73.52 percent of all revenue coming from property taxes and grants and entitlements not Restricted to Specific Programs.

Regular instruction makes up 50.27 percent of governmental program expenses. Support services expenses make up 32.72 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and sales and grants and contributions, including interest, offsetting those services. In Table 3, the total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Net costs are costs that must be covered by unrestricted state aid (State Foundation) or local taxes. The difference in these two columns would represent restricted charges for services and sales, grants, contributions, and interest. Comparisons to 2003 have not been made since they are not available.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

(Table 3)
Governmental Activities

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Instruction	\$6,653,968	\$4,817,231
Support Services	3,687,192	3,292,268
Operation of Non- Instructional Services (Food Services)	512,087	26,429
Extracurricular Activities	378,237	138,046
Intergovernmental	38,500	0
Total Expenses	<u>\$11,269,984</u>	<u>\$8,273,974</u>

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$11,465,053 and expenditures of \$11,103,230. The net change in fund balance for the year was most significant in the General Fund with an increase of \$430,904 due primarily to General Fund cash expenditures being considerably less than the cash receipts, which resulted from the School District carefully monitoring cash activity during the fiscal year.

General Fund - Budget Highlights

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

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

For the General Fund, final estimated revenues were \$8,646,284 with original estimated revenues of \$8,546,037. The difference of \$100,247 was due primarily to an unexpected increase in both open and residential enrollment. Final estimated expenditures were \$8,454,560 with original estimated expenditures of \$8,695,358. The difference of \$240,798 was due primarily to the School District monitoring the actual expenditures made in all line items.

The School District's ending unobligated cash balance was \$56,052 below the final budgeted amount.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004 the School District had \$2,805,586 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles, and textbooks. Table 4 shows fiscal year 2004 balances compared to 2003:

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

	2004	Restated 2003
	<u>2004</u>	<u>2003</u>
Land	\$57,308	\$57,308
Land Improvements	161,540	158,470
Buildings and Improvements	1,444,060	1,529,015
Furniture, Fixtures and Equipment	631,642	678,428
Vehicles	465,500	368,141
Textbooks	45,536	45,536
Totals	<u>\$2,805,586</u>	<u>\$2,836,898</u>

The primary decrease was due to current year depreciation. (see Note 9 in the Notes to the Basic Financial Statements).

Debt

As of June 30, 2004, the School District has no outstanding debt obligations.

Current Issues

The Wheelersburg Local School District consists of one elementary building and one high school building. They were built in 1958 and 1968 respectively. As of fiscal year-end, the School District has been notified by the Ohio School Facilities Commission that it is approved to participate in the Classroom Facilities Assistance Program (CFAP) beginning in fiscal year 2005. This participation is conditioned upon the approval of School District voters for the local matching share (\$8,874,000 or 26%) of the total project budget. On June 28, 2004 the Wheelersburg Local Board of Education accepted the offer to participate.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2004

Unaudited

During the 2003-2004 school year, the School District was rated by the Ohio Department of Education as an Excellent School District, having satisfied 17 of 18 indicators, which are based on student proficiency test performance, student attendance and high school graduation rate. In comparison, the average number of indicators satisfied statewide were 8.

According to data from the Ohio Department of Education, the School District spent \$6,768 per pupil (all funds) during fiscal year 2004, which was lower than the statewide average of \$8,754. Despite spending less per pupil in total cost, the School District spent a high proportion of expenditures (59.7%) on direct instruction compared to the State average (55.9%).

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact Mr. George Grice, Treasurer, at Wheelersburg Local School District, P.O. Box 340, Wheelersburg, Ohio 45694 or via e-mail at georgeg@scoca-k12.org.

This page intentionally left blank.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$1,249,021
Materials and Supplies Inventory	38,479
Intergovernmental Receivable	120,997
Prepaid Items	38,622
Property Taxes Receivable	2,152,510
Capital Assets:	
Land	57,308
Depreciable Capital Assets, Net	<u>2,748,278</u>
<i>Total Assets</i>	<u>6,405,215</u>
<u>Liabilities:</u>	
Accounts Payable	30,249
Accrued Wages and Benefits Payable	819,567
Intergovernmental Payable	300,509
Deferred Revenue	1,890,635
Long-Term Liabilities:	
Due Within One Year	80,987
Due In More Than One Year	<u>525,491</u>
<i>Total Liabilities</i>	<u>3,647,438</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	2,805,586
Restricted for:	
Capital Projects	70,269
Other Purposes	118,582
Unrestricted (Deficit)	<u>(236,660)</u>
<i>Total Net Assets</i>	<u><u>\$2,757,777</u></u>

See accompanying notes to the basic financial statements

WHEELERSBURG LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities	
<i>Governmental Activities</i>	Expenses				
Instruction:					
Regular	\$5,666,216	\$962,728	\$175,060	\$31,075	(\$4,497,353)
Special	977,752	0	663,367	0	(314,385)
Vocational	10,000	0	4,507	0	(5,493)
Support Services:					
Pupils	545,452	23,135	85,644	0	(436,673)
Instructional Staff	673,775	16,466	153,644	0	(503,665)
Board of Education	45,036	0	0	0	(45,036)
Administration	728,312	2,612	0	0	(725,700)
Fiscal	270,439	0	0	0	(270,439)
Operation and Maintenance of Plant	813,538	1,125	5,596	0	(806,817)
Pupil Transportation	476,084	0	28,498	62,737	(384,849)
Central	134,556	0	15,467	0	(119,089)
Operation of Non-Instructional Services:					
Food Service Operations	512,087	219,274	266,384	0	(26,429)
Extracurricular Activities	378,237	223,533	16,658	0	(138,046)
Intergovernmental	38,500	0	38,500	0	0
Total Governmental Activities	\$11,269,984	\$1,448,873	\$1,453,325	\$93,812	(8,273,974)

General Revenues

Property Taxes Levied for:

General Purposes	2,267,075
Capital Outlay	52,155

Grants and Entitlements not Restricted
to Specific Programs

Contributions and Donations	4,373
Investment Earnings	14,116
Miscellaneous	18,882

Total General Revenues 8,460,895

Change in Net Assets 186,921

Net Assets Beginning of Year - (See Note 3) 2,570,856

Net Assets End of Year \$2,757,777

See accompanying notes to the basic financial statements

WHEELERSBURG LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2004

	General	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$1,039,792	\$202,771	\$1,242,563
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	6,458	0	6,458
Receivables:			
Property Taxes	2,107,321	45,189	2,152,510
Intergovernmental	0	120,997	120,997
Interfund	12,061	0	12,061
Prepaid Items	32,022	6,600	38,622
Materials and Supplies Inventory	33,295	5,184	38,479
<i>Total Assets</i>	<u>\$3,230,949</u>	<u>\$380,741</u>	<u>\$3,611,690</u>
<u>Liabilities:</u>			
Accounts Payable	\$20,796	\$9,453	\$30,249
Accrued Wages and Benefits Payable	688,101	131,466	819,567
Intergovernmental Payable	170,678	43,928	214,606
Interfund Payable	0	12,061	12,061
Deferred Revenue	1,941,515	67,507	2,009,022
<i>Total Liabilities</i>	<u>2,821,090</u>	<u>264,415</u>	<u>3,085,505</u>
<u>Fund Balances:</u>			
Reserved for Encumbrances	118,713	34,230	152,943
Reserved for Property Taxes	165,806	3,635	169,441
Reserved for Bus Purchases	6,458	0	6,458
Unreserved, Designated:			
Designated for Future Severance Payments	195,502	0	195,502
Unreserved, Undesignated, Reported in:			
General Fund (Deficit)	(76,620)	0	(76,620)
Special Revenue Funds	0	33,700	33,700
Capital Projects Funds	0	44,761	44,761
<i>Total Fund Balances</i>	<u>409,859</u>	<u>116,326</u>	<u>526,185</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,230,949</u>	<u>\$380,741</u>	<u>\$3,611,690</u>

See accompanying notes to the basic financial statements

WHEELERSBURG LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balances		\$526,185
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land	\$57,308	
Other capital assets	8,597,852	
Accumulated depreciation	<u>(5,849,574)</u>	
Total capital assets		2,805,586
 Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		
Delinquent property taxes	92,434	
Intergovernmental	<u>25,953</u>	
		118,387
 Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.		
		(85,903)
 Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Compensated absences		<u>(606,478)</u>
 Net Assets of Governmental Activities		 <u><u>\$2,757,777</u></u>

See accompanying notes to the basic financial statements

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

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$2,276,757	\$52,346	\$2,329,103
Intergovernmental	5,963,359	1,668,763	7,632,122
Interest	18,277	1,625	19,902
Decrease in Fair Value of Investments	(5,126)	0	(5,126)
Tuition and Fees	962,728	0	962,728
Extracurricular Activities	0	246,668	246,668
Rentals	1,125	0	1,125
Customer Sales and Service	19,078	219,274	238,352
Contributions and Donations	66	21,231	21,297
Miscellaneous	2,251	16,631	18,882
<i>Total Revenues</i>	<u>9,238,515</u>	<u>2,226,538</u>	<u>11,465,053</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	4,846,417	665,348	5,511,765
Special	492,330	471,602	963,932
Vocational	10,000	0	10,000
Support Services:			
Pupils	395,994	156,055	552,049
Instructional Staff	495,873	160,884	656,757
Board of Education	45,036	0	45,036
Administration	693,115	4,973	698,088
Fiscal	253,028	5,241	258,269
Operation and Maintenance of Plant	790,091	4,672	794,763
Pupil Transportation	492,970	64,199	557,169
Central	95,270	9,339	104,609
Operation of Non-Instructional Services:			
Food Service Operations	0	516,537	516,537
Extracurricular Activities	151,989	215,438	367,427
Capital Outlay	9,424	18,905	28,329
Intergovernmental	0	38,500	38,500
<i>Total Expenditures</i>	<u>8,771,537</u>	<u>2,331,693</u>	<u>11,103,230</u>
Excess of Revenues Over/(Under) Expenditures	<u>466,978</u>	<u>(105,155)</u>	<u>361,823</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	36,074	36,074
Transfers Out	(36,074)	0	(36,074)
<i>Total Other Financing Sources (Uses)</i>	<u>(36,074)</u>	<u>36,074</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	430,904	(69,081)	361,823
<i>Fund Balances (Deficit) Beginning of Year - Restated (Note3)</i>	<u>(21,045)</u>	<u>185,407</u>	<u>164,362</u>
<i>Fund Balances End of Year</i>	<u>\$409,859</u>	<u>\$116,326</u>	<u>\$526,185</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Total Governmental Funds \$361,823

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

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

Capital asset additions	\$309,544	
Depreciation expense	(290,813)	
Excess of capital outlay over depreciation expense		18,731

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

Loss on disposal of capital assets		(50,043)
------------------------------------	--	----------

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

Delinquent property taxes	(9,873)	
Intergovernmental	1,725	
		(8,148)

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

Increase in compensated absences payable	(134,086)	
Increase in intergovernmental payable	(1,356)	
Total (increase)/decrease		(135,442)

Change in Net Assets of Governmental Activities \$186,921

See accompanying notes to the basic financial statements

Wheelersburg Local School District
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2004

	<u>Budgeted Amounts</u>		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,443,006	\$2,215,539	\$2,215,539	\$
Intergovernmental	6,019,694	6,349,290	5,963,359	(385,931)
Interest	27,850	19,000	18,282	(718)
Tuition and Fees	39,102	41,230	962,728	921,498
Rentals	0	1,125	1,125	0
Customer Sales and Service	15,065	19,100	19,078	(22)
Contributions and Donations	320	0	66	66
Miscellaneous	1,000	1,000	1,780	780
<i>Total Revenues</i>	<u>8,546,037</u>	<u>8,646,284</u>	<u>9,181,957</u>	<u>535,673</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,660,701	4,453,114	4,989,352	(536,238)
Special	536,343	494,255	494,255	0
Vocational	0	10,000	10,000	0
Other	10,600	0	0	0
Support Services:				
Pupils	410,472	399,631	399,631	0
Instructional Staff	501,028	529,359	529,359	0
Board of Education	55,175	45,863	45,863	0
Administration	689,334	687,691	687,691	0
Fiscal	246,918	251,702	251,702	0
Operation and Maintenance of Plant	824,555	814,065	814,065	0
Pupil Transportation	503,140	509,075	509,075	0
Central	104,292	98,392	98,392	0
Extracurricular Activities	147,800	151,989	151,989	0
Capital Outlay	5,000	9,424	9,424	0
<i>Total Expenditures</i>	<u>8,695,358</u>	<u>8,454,560</u>	<u>8,990,798</u>	<u>(536,238)</u>
Excess of Revenues Over/(Under) Expenditures	<u>(149,321)</u>	<u>191,724</u>	<u>191,159</u>	<u>(565)</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	800	800	0	(800)
Refund of Prior Year Expenditures	500	500	471	(29)
Transfers In	223,000	535,724	0	(535,724)
Transfers Out	(516,066)	(516,066)	(35,000)	481,066
Advances Out	(12,061)	(12,061)	(12,061)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(303,827)</u>	<u>8,897</u>	<u>(46,590)</u>	<u>(55,487)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(453,148)</u>	<u>200,621</u>	<u>144,569</u>	<u>(56,052)</u>
<i>Fund Balance at Beginning of Year</i>	<u>561,435</u>	<u>561,435</u>	<u>561,435</u>	<u>0</u>
<i>Prior Year Encumbrances Appropriated</i>	<u>201,086</u>	<u>201,086</u>	<u>201,086</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$309,373</u>	<u>\$963,142</u>	<u>\$907,090</u>	<u>(\$56,052)</u>

See accompanying notes to the basic financial statements

WHEELERSBURG LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2004

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$24,687	\$18,544
Restricted Assets:		
Equity in Pooled Cash and Cash Equivalents	289,596	0
<i>Total Assets</i>	<u>\$314,283</u>	<u>\$18,544</u>
<u>Liabilities:</u>		
Undistributed Monies	\$0	<u>\$18,544</u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u>\$314,283</u>	

See accompanying notes to the basic financial statements

WHEELERSBURG LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Fiscal Year Ended June 30, 2004

	<u>Private Purpose Trust</u>
	<u>Scholarship</u>
<u>Additions:</u>	
Contributions and Donations	\$8,820
Interest	4,379
<i>Total Additions</i>	<u>13,199</u>
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	14,000
Decrease in Fair Value of Investments	8,363
<i>Total Deductions</i>	<u>22,363</u>
<i>Change in Net Assets</i>	(9,164)
<i>Net Assets Beginning of Year</i>	<u>323,447</u>
<i>Net Assets End of Year</i>	<u><u>\$314,283</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

The Wheelersburg Local School District (the School District) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by State statute and federal guidelines.

The School District was established in 1859 through the consolidation of existing land areas and school districts. The School District serves an area of approximately 17 square miles. It is located in Scioto County, and includes most of Porter Township. It is staffed by 53 non-certificated employees, 99 certificated full-time teaching personnel and 7 administrative employees who provide services to 1,470 students and other community members. The School District currently operates three instructional buildings, one administrative building, and one garage.

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wheelersburg Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no component units.

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wheelersburg Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District has no business-type activities.

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

During the fiscal year, the School District segregates transactions related to certain School District functions or activities into separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds:

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

General Fund - The General Fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund.

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund used to account for college scholarship donations and two agency funds, one used to account for student activity programs and one to account for miscellaneous donations used for scholarships.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

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

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

F. Cash and Cash Equivalents

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

During fiscal year 2004, the School District's investments were limited to a Federal Home Loan Bank Bond and the State Treasury Assets Reserve of Ohio (STAROhio). Investments are reported at fair value which is based on quoted market prices.

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$18,277, which includes \$7,073 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

G. Inventory

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

H. Prepaid Items

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

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set-aside by the School District for the purchase of buses. Restricted assets in the Private Purpose Trust Fund represents cash and cash equivalents required to be restricted by a trust agreement for the purpose of providing college scholarships to graduating students.

J. Capital Assets

The School District's only capital assets are general assets. General capital assets are those assets specifically related to governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	30 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	5 - 12 years
Textbooks	10 years

K. Interfund Balances

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

L. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District’s past experience of making termination payments.

M. Accrued Liabilities and Long-Term Obligations

All payables and accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year.

N. Interfund Transactions

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

O. Fund Balance Reserves and Designations

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

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

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Net assets restricted for other purposes include activities for food service operations, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

32

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Q. Estimates

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the School District has implemented GASB Statement No. 34, “*Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments*,” GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”, GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”, GASB Statement No. 39, “*Determining Whether Certain Organizations are Component Units*”, GASB Statement No. 41, “*Budgetary Comparison Schedules - Perspective Differences*.”, and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*”.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column. The government-wide financial statements combine the governmental activities into one column.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of the Management’s Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, “*The Financial Reporting Entity*”. The implementation of this new statement had no effect on the School District’s financial statements for fiscal year 2004.

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the General and Major Special Revenue Funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2004.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (Continued)

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

The implementation of these Statements and the reclassification of the Food Service Fund from an enterprise fund to a special revenue fund had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2003	(\$30,575)	\$182,328	\$151,753
Interpretation No. 6			
Adjustment	9,530	0	9,530
Fund Reclassification	0	3,079	3,079
Adjusted Fund Balances, June 30, 2003	<u>(\$21,045)</u>	<u>\$185,407</u>	164,362

GASB Statement No.34 Adjustments:

Deferred Assets:

Intergovernmental Receivables	24,228
Delinquent Property Taxes	102,307
Capital Assets	2,836,898
Intergovernmental Payables	(84,547)
Long Term Liabilities:	
Compensated Absences Payable	<u>(472,392)</u>
Adjusted Governmental Activities Net Assets, June 30, 2003	<u>\$2,570,856</u>

	<u>Food Service Enterprise Fund</u>
Fund Equity, June 30, 2003	\$21,347
Fund Reclassification	<u>(21,347)</u>
Restated Fund Equity, June 30, 2003	<u>\$0</u>

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2004, the Food Service, Disadvantaged Pupil Impact Aid, and Summer Intervention Special Revenue Funds had deficit fund balances of \$9,608, \$42,022, and \$1,453, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Food Service Special Revenue Fund had appropriations in excess of estimated resources plus available balance for the fiscal year ended June 30, 2004, as follows:

<u>Fund</u>	<u>Estimated Resources and Available Balances</u>	<u>Appropriation</u>	<u>Excess</u>
Food Service	<u>\$445,422</u>	<u>\$447,493</u>	<u>(\$2,071)</u>

The General Fund had expenditures plus encumbrances in excess of appropriations, at June 30, 2004, as follows:

<u>Fund</u>	<u>Expenditures and Encumbrances</u>	<u>Appropriations</u>	<u>Excess</u>
General	<u>\$8,990,798</u>	<u>8,454,560</u>	<u>(\$536,238)</u>

The School District will monitor budgetary controls more closely in the future to alleviate such compliance issues.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (Continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statements.

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$430,904
Adjustments:	
Revenue Accruals	(56,092)
Expenditure Accruals	(75,080)
Unrecorded Cash - Fiscal Year 2004	(105)
Unrecorded Cash - Fiscal Year 2003	110
Transfers	1,074
Advances	(12,061)
Encumbrances	(144,181)
Budget Basis	<u><u>\$144,569</u></u>

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

At fiscal year-end, the School District had \$800 undeposited cash on hand. This is included in "Equity in Pooled Cash and Cash Equivalents" on the balance sheet in the General Fund.

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$1,087,096 and the bank balance was \$1,236,579. Of the bank balance, \$100,000 was covered by federal depository insurance and \$1,136,579 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
Federal Home Loan Bank Bond	\$488,125	\$0	\$488,125
STAROhio	0	5,827	\$5,827
Total	<u>\$488,125</u>	<u>\$5,827</u>	<u>\$493,952</u>

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

	<u>Cash and Cash</u>	
	<u>Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,581,848	\$0
Cash on Hand	(800)	0
Investments:		
Federal Home Loan Bank Bond	(488,125)	488,125
STAROhio	(5,827)	5,827
GASB Statement No. 3	<u>\$1,087,096</u>	<u>\$493,952</u>

NOTE 7 - PROPERTY TAXES

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 7 - PROPERTY TAXES (Continued)

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

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

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

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance at June 30, 2004, was \$169,441 and is recognized as revenue: \$165,806 in the General Fund and \$3,635 in the Permanent Improvement Fund. The amount available as an advance at June 30, 2003, was \$107,200 and was recognized as revenue: \$104,588 in the General Fund and \$2,612 in the Permanent Improvement Fund. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 7 - PROPERTY TAXES (Continued)

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

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$92,060,160	80.77%	\$93,492,140	82.34%
Public Utility	15,032,200	13.19%	15,671,410	13.80%
Tangible Personal Property	6,879,190	6.04%	4,380,582	3.86%
Total Assessed Value	<u>\$113,971,550</u>	<u>100.00%</u>	<u>\$113,544,132</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.91		\$29.91	

NOTE 8 - RECEIVABLES

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

A summary of the principal items of intergovernmental receivables follows:

	<u>Amounts</u>
Governmental Activities:	
Food Service	\$22,061
Student Intervention	10,096
Title VI-B	12,363
Title I	48,643
Drug Free Schools	1,601
Title II-A	26,233
Total Intergovernmental Receivables	<u>\$120,997</u>

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 9 - CAPITAL ASSETS

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

	Restated Balance At 6/30/2003	Additions	Deletions	Balance At 6/30/2004
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	\$57,308	\$0	\$0	\$57,308
Depreciable Capital Assets:				
Land Improvements	362,353	11,535	0	373,888
Buildings and Improvements	5,000,185	6,480	0	5,006,665
Furniture, Fixtures and Equipment	1,883,620	123,879	(191,284)	1,816,215
Vehicles	897,128	167,650	(119,047)	945,731
Textbooks	455,353	0	0	455,353
Total Depreciable Capital Assets	8,598,639	309,544	(310,331)	8,597,852
Total Capital Assets At Historical Cost	8,655,947	309,544	(310,331)	8,655,160
Less Accumulated Depreciation:				
Land Improvements	(203,883)	(8,465)	0	(212,348)
Buldings and Improvements	(3,471,170)	(91,435)	0	(3,562,605)
Furniture, Fixtures and Equipment	(1,205,192)	(132,527)	153,146	(1,184,573)
Vehicles	(528,987)	(58,386)	107,142	(480,231)
Textbooks	(409,817)	0	0	(409,817)
Total Accumulated Depreciation	(5,819,049)	(290,813) *	260,288	(5,849,574)
Total Capital Assets Being Depreciated, Net	2,779,590	18,731	(50,043)	2,748,278
Governmental Activities Capital Assets, Net	\$2,836,898	\$18,731	(\$50,043)	\$2,805,586

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$131,217
Special	11,233
Support Services:	
Pupils	5,078
Instructional Staff	10,725
Administration	7,539
Fiscal	2,393
Operation and Maintenance of Plant	13,131
Pupil Transportation	66,734
Central	25,606
Operation of Non-Instructional Services	6,347
Extracurricular Activities	10,810
Total Depreciation Expense	<u>\$290,813</u>

NOTE 10 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with the Selective Insurance Company for property and fleet insurance and inland marine coverage. Insurance coverage provided is as follows:

Building and Contents replacement cost (\$1,000 deductible)	\$23,109,854
Electronic Data Processing (\$1,000 deductible)	\$1,513,832
Equipment in Transit	\$1,513,832
Inland Marine Coverage (\$1,000 deductible)	\$1,513,832
Boiler and Machinery (\$1,000 deductible)	No Limit
Automobile Liability	\$1,000,000

During fiscal year 2004, the School District joined together with other school districts in Ohio to participate in the Ohio School Plan (OSP), a public entity insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18).

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 10 - RISK MANAGEMENT (Continued)

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

General Liability:

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

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

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 19), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turns pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan. All claims and expenses shall be paid from the funds of the Council.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 10 - RISK MANAGEMENT (Continued)

For fiscal year 2004, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the School District pays an enrollment fee to the GRP to cover costs of administering the program.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were \$119,852, \$111,611, and \$70,304, respectively; 50.48 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. \$59,355 represents the unpaid contribution for fiscal year 2004.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System of Ohio

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

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$569,458, \$561,412, and \$422,685, respectively; 87.03 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$43,804 for fiscal year 2004.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$89,698.

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.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 13 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for all personnel. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 50 days.

B. Life Insurance

The School District provides life insurance to most employees through Great American Reserve.

C. Special Termination Benefit Payable

For fiscal years 2003 to 2005, employees eligible to retire are offered a special termination benefit. A bargaining unit employee who becomes eligible under the Ohio Revised Code Section 3307.38 and elects to take service retirement through STRS is entitled to receive a one-time lump-sum payment of \$3,500 less payroll withholdings, to be paid no later than the second payroll in August in the year of notification. For the fiscal year ending June 30, 2004, five individuals retired who were eligible for the \$3,500 bonus. All of these individuals were paid before fiscal year-end.

D. Deferred Compensation

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

NOTE 14 – OPERATING LEASE - LESSEE DISCLOSURE

The School District leases computers under a noncancellable operating lease. Operating lease payments are reported as function expenditures in both the combined financial statements for the governmental funds and on the budgetary statements. Total operating lease payments in 2004 totaled \$33,119 in the Permanent Improvement Capital Projects Fund.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 14 – OPERATING LEASE - LESSEE DISCLOSURE (Continued)

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

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2005	\$29,298
2006	21,973
Total	51,271
Less: Amount Representing Interest	(2,662)
Present Value of Net Minimum Lease Payments	<u>54,609</u>

NOTE 15 - LONG-TERM OBLIGATIONS

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

	Restated Amount Outstanding 6/30/03	Additions	Deductions	Amount Outstanding 6/30/04	Amount Due in One Year
<u>Governmental Activities:</u>					
Compensated Absences	<u>\$472,392</u>	<u>\$222,061</u>	<u>\$87,975</u>	<u>\$606,478</u>	<u>\$80,987</u>

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

The School District's overall legal debt margin was \$10,218,972 with an unvoted debt margin of \$113,544 at June 30, 2004.

WHEELERSBURG LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2004

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2004, interfund receivables and payables that resulted from various interfund transactions were as follows:

		Receivable
		<u>General</u>
Payable	All Other	
	Nonmajor Funds	<u>\$12,061</u>

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

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

		Transfers From
		<u>General</u>
Transfers To	All Other	
	Nonmajor Funds	<u>\$36,074</u>

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Jackson, Vinton, Pickaway, Gallia and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$18,175 for services provided during the year. Financial information can be obtained from their fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

B. Pilasco-Ross Special Education Regional Resource Center

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

The SERRC is governed by a Board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross County Career and Technology Center, Shawnee State University, and Ross-Pike, Lawrence and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 18 - INSURANCE PURCHASING POOLS

A. Ohio School Boards Association Workers' Compensation Group Rating Plan

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 18 - INSURANCE PURCHASING POOLS (Continued)

B. Ohio School Plan

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

NOTE 19 - PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer programs of health and dental insurance for the benefit of the Council members' employees and their dependents, to obtain lower costs for health and dental coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council's business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District's claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District's claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 20 - SET-ASIDE CALCULATIONS

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

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 20 - SET-ASIDE CALCULATIONS (Continued)

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 Balance as of June 30, 2003	(\$15,554)	\$0
Current Year Set-aside Requirement	182,226	182,226
Offsets	0	(67,954)
Qualifying Disbursements	(278,567)	(157,423)
Totals	<u>(\$111,895)</u>	<u>(\$43,151)</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$0</u>	<u>\$0</u>

The School District had qualifying disbursements during the fiscal year that reduced the textbooks set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future fiscal years.

NOTE 21 – STATE SCHOOL FUNDING DECISION

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

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

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

NOTE 22 - CONTINGENCIES

A. Grants

The School District received financial assistance from Federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

WHEELERSBURG LOCAL SCHOOL DISTRICT

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

NOTE 22 – CONTINGENCIES (Continued)

B. Litigation

At fiscal year-end the School District was not party to any legal proceedings.

NOTE 23 – SUBSEQUENT EVENT

On October 15, 2004 the School District received a summons of complaint by an individual who was injured while attending an athletic event on the School District's property. The School District is not able to determine what effect, if any, this claim will have on the financial condition of the School District.

On November 2, 2004, the voters within the Wheelersburg Local School District approved a bond issue for the local share of the cost to construct new school facilities. On December 28, 2004, the School District issued \$9,968,000 in School Improvement Bond Anticipation Notes at 3.25 percent. These notes will mature on June 25, 2005.

This page intentionally left blank.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass-Through Entity's Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Donation	N/A	10.550	\$	\$34,269	\$	\$34,269
School Breakfast Program	05PU-2003	10.553	8,449		8,449	
	05PU-2004		50,456		50,456	
Total School Breakfast Program			58,905	0	58,905	0
National School Lunch Program	LLP1-2003	10.555	1,371		1,371	
	LLP1-2004		6,270		6,270	
	LLP4-2003		14,060		14,060	
	LLP4-2004		93,508		93,508	
Total National School Lunch Program			115,209	0	115,209	0
Total Nutritional Cluster			174,114	34,269	174,114	34,269
Team Nutrition Grant	TWSU-2004	10.574	10,000		0	
Total United States Department of Agriculture			184,114	34,269	174,114	34,269
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	C1S1 2003	84.010	17,442		54,850	
	C1S1 2004		436,844		406,091	
Total Title I Grants to Local Educational Agencies			454,286	0	460,941	0
Special Education Grants To States	6BSF 2003 P	84.027	7,485		9,270	
	6BSF 2004		171,391		168,152	
Total Special Education Grants to States			178,876	0	177,422	0
Safe and Drug-Free Schools and Communities State Grants	DRS1 2003	84.186	(78)		0	
	DRS1 2004		10,136		9,636	
Total Safe and Drug Free Schools and Communitites State Grants			10,058	0	9,636	0
State Grants for Innovative Programs	C2S1 2003	84.298	4,403		5,690	
	C2S1 2004		8,577		7,967	
Total State Grants for Innovative Program			12,980	0	13,657	0
Education Technology State Grants	TJS1 2003	84.318	(98)		0	
	TJS1 2004		12,737		11,261	
Total Education Technology State Grants			12,639	0	11,261	0
School Renovation, IDEA and Technology Grants	ATS2 2002	84.352A	(286)		733	
	ATS2 2003		0		5,290	
Total School Renovation, IDEA and Technology			(286)	0	6,023	0
Rural Education	RUS1-2004	84.358	39,821		39,821	
Improving Teacher Quality State Grants	TRS1 2003	84.367	15,368		17,901	
	TRS1 2004		82,270		78,823	
Total Improving Teacher Quality State Grants			97,638	0	96,724	0
Total United States Department of Education			806,012	0	815,485	0
Total Federal Awards Receipts and Expenditures			\$990,126	\$34,269	\$989,599	\$34,269

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

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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

NOTE A – BASIS OF ACCOUNTING

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

NOTE B – CHILD NUTRITION CLUSTER

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

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

NOTE C – NEGATIVE RECEIPTS

Safe and Drug-Free Schools and Communities State Grants, CFDA #84.186, funds in the amount of \$78 were carried over from 2003 to the next program year, resulting in a negative receipt of \$78. Education Technology State Grants, CFDA #84.318, funds in the amount of \$98 were carried over from 2003 to the next program year, resulting in a negative receipt of \$98.

Also, refund of money to the Ohio Department of Education due to expiration of period of availability resulted in a negative receipt in the amount of \$286 for the Assistive Technology Infusion Project, CFDA #84.352A.



Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wheelersburg Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 3, 2005, wherein we noted the School District has adopted Governmental Accounting Standards Board Statement No. 34. 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 School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic 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 a material weakness. 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.

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

Wheelersburg Local School District
Scioto 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 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 3, 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

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

To the Board of Education:

Compliance

We have audited the compliance of the Wheelersburg Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004. The School District's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to 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 School 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 School District's compliance with those requirements.

As described in items 2004-001 and 2004-002 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding Allowable Costs/Cost Principles that are applicable to its Title I Grants to Local Educational Agencies program. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

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

Internal Control Over Compliance

The management of the School 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 School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of 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.



Betty Montgomery
Auditor of State

March 3, 2005

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

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

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

Finding Number	2004-001
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number/Year	C1-S1-03, C1-S1-04
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation/Questioned Costs – Allowable Costs/Cost Principles

OMB Cost Principles Circular A-87 Attachment B Section 11(a) [now Section 8(a), effective June 9, 2004] provides that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent they satisfy the specific requirements of the Circular.

OMB Cost Principles Circular A-87 Attachment B Section 11h(4) [now Section 8h(4), effective June 9, 2004] provides that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which must, according to subsection (h)(5), (a) reflect an after-the-fact distribution of the actual activity of each employee, (b) account for the total activity for which each employee is compensated, (c) be prepared at least monthly and must coincide with one or more pay periods, and (d) be signed by the employee. Subsection (h)(5)(e) provides that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards but may be used for interim accounting purposes, provided that:

1. The system for establishing the estimates produces reasonable approximations of the activity actually performed;
2. At least quarterly, comparisons of actual costs to budgeted distributions based on the monthly activity reports are made. Costs charged to Federal awards to reflect adjustments made as a result of the activity actually performed may be recorded annually if the quarterly comparisons show the differences between budgeted and actual costs are less than ten percent and;
3. The budget estimates or other distribution percentages are revised at least quarterly, if necessary, to reflect changed circumstances.

Wheelersburg Local School District charged 60 percent of the salary and related fringe benefits of the Title I Coordinator without the supporting documentation required by OMB Cost Principles Circular A-87. There was no documentation to support the reasoning for the allocation of her salary and related fringe benefits. As a result, the costs for salary and related fringe benefits of the Title I Coordinator amounting to \$37,356 as charged to the Title I Grant are considered to be questioned costs.

We recommend the School District develop a method whereby the various activities of the Title I Coordinator are documented as they relate to the various Programs and Awards. This documentation should be used to determine the allocation of her salary among the various programs, grants, activities, etc. We further recommend the School District's Management review the requirements of OMB Cost Principles Circular A-87 to determine the documentation needed and other requirements related to the allowability of costs to Federal awards to prevent such errors in the future.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)
--

Finding Number	2004-002
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA # 84.010
Federal Award Number/Year	C1-S1-03, C1-S1-04
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Citation – Allowable Costs/Cost Principles

OMB Cost Principles Circular A-87 Attachment B Section 11(a) [now Section 8(a), effective June 9, 2004] provides that compensation for personnel services includes all remuneration, paid currently or accrued, for services rendered during the period of performance under Federal awards, including but not limited to wages, salaries, and fringe benefits, are allowable to the extent that they satisfy the specific requirements of the Circular.

OMB Cost Principles Circular A-87 Attachment B Section 11(h)(3) [now Section 8(h)(3), effective June 9, 2004] provides that where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

There were five teachers and two aides whose salaries and related fringe benefits were charged 100 percent to the Title I Grant. However, the School District did not obtain the periodic certifications from these employees as required by OMB Cost Principles Circular A-87.

We recommend the School District obtain the required certifications at least semi-annually from all employees whose salaries and fringe benefits are charged 100 percent to a federal award. We further recommend that these certifications be maintained in the employees' personnel files as documentation of the School District's compliance with this requirement.

This page intentionally left blank.

**WHEELERSBURG LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-001	The Title I coordinator has begun keeping a log of her time for 2004-2005. This will be monitored and the amount charged to the federal program will be adjusted based on this log.	February 22, 2005	George Grice, Treasurer
2004-002	The School District will obtain the necessary certifications for teachers and aides being paid 100% from Title I.	March 7, 2005	George Grice, Treasurer



**Auditor of State
Betty Montgomery**

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WHEELERSBURG LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 15, 2005**