



**Auditor of State
Betty Montgomery**

**WILLIAMSBURG LOCAL SCHOOL DISTRICT
CLERMONT 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	17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	21
Statement of Assets and Liabilities - Fiduciary Funds.....	22
Notes to the Basic Financial Statements	23
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	55

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Williamsburg Local School District, Clermont County, Ohio, as of June 30, 2004, and the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year that ended June 30, 2004, the 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*. The District also adopted Governmental Accounting Standards Board Statements 37, 38, 41, and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

May 27, 2005

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

As management of the Williamsburg Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's performance.

The 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 Governments" 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 had elected to exclude the prior year changes in net asset information from this report. Subsequent reports will include the comparative information.

Financial Highlights

- The assets of the Williamsburg Local School District exceeded its liabilities at June 30, 2004 by \$8,920,624.
- The School District's net assets increased by \$581,821 during this year's operations.
- General revenues accounted for \$7,120,280 or 83 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$1,431,176 or 17 percent of total revenues of \$8,551,456.
- The School District had \$7,969,635 in expenses related to governmental activities; only \$1,431,176 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest.

Using the Basic Financial Statements

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

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the School District as a whole, and present a longer term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term, as well as what remains for future spending. The fund financial statements also look at the School District's major funds, with all other non-major funds presented in total in one column. The major funds for the Williamsburg Local School District are the General Fund and the Debt Service 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 *Statements of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These government-wide financial statements include *all assets* and *liabilities* using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. 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.

Williamsburg 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 an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or difference) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements.

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

The School District as a Whole

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

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

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

(Table 1)

Net Assets

Governmental Activities

	2004	2003
Assets		
Current and Other Assets	\$6,017,132	\$5,367,153
Capital Assets	10,010,655	10,280,225
Total Assets	16,027,787	15,647,378
Liabilities		
Long-Term Liabilities	3,962,824	4,266,103
Other Liabilities	3,144,339	3,042,472
Total Liabilities	7,107,163	7,308,575
Net Assets		
Invested in Capital Assets, Net of Related Debt	6,572,310	6,698,390
Restricted	628,619	488,015
Unrestricted	1,719,695	1,152,398
Total Net Assets	\$8,920,624	\$8,338,803

Total assets decreased by \$45,702. This was primarily due to a \$226,495 decrease in taxes receivable. Capital assets are used to provide services to students and do not represent assets that may be used for future spending. Restricted net assets increased mainly due to an increase in the restriction for textbooks. Unrestricted net assets increased by \$548,842, which was mainly due to slight increases in state funding offset by minimal increases in expenses.

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

Revenue is further divided into two major components: Program Revenues and General Revenues. Program Revenues are defined as charges for services and sales, restricted grants, contributions and interest. General Revenues include taxes, unrestricted grants, such as state foundation support, gifts and donations, investment earnings and miscellaneous.

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 subsequent reporting years.

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

Change in Net Assets	Governmental Activities <u>2004</u>
Revenues	
Program Revenues:	
Charges for Services and Sales	\$639,390
Operating Grants, Contributions and Interest	732,395
Capital Grants and Contributions	<u>59,391</u>
Total Program Revenues	<u>1,431,176</u>
General Revenues:	
Property Taxes	2,729,587
Grants and Entitlements not Restricted to Specific Programs	3,701,177
Gifts and Donations	12,798
Investment Earnings	32,836
Revenue in Lieu of Taxes	522,769
Miscellaneous	<u>121,113</u>
Total General Revenues	<u>7,120,280</u>
 Total Revenues	 <u>8,551,456</u>

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

(Table 2)
Change in Net Assets
(continued)

	Governmental Activities <u>2004</u>
Program Expenses	
Instruction	
Regular	\$3,543,021
Special	657,253
Vocational	56,606
Support Services	
Pupils	238,810
Instructional Staff	397,569
Board of Education	21,343
Administration	645,914
Fiscal	262,813
Operation and Maintenance of Plant	890,808
Pupil Transportation	567,169
Operation of Non-Instructional Services:	
Other	20,137
Food Services	303,285
Extracurricular Activities	162,768
Interest and Fiscal Charges	202,139
Total Expenses	<u>7,969,635</u>
Increase in Net Assets	<u><u>\$581,821</u></u>

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

Governmental Activities

Instruction comprises 53 percent of governmental program expenses. Support services expenses make up 38 percent of governmental expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants 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 charges for services, restricted grants, fees and donations.

(Table 3)

Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
Instruction	\$4,256,880	\$3,608,993
Support Services	3,024,426	2,542,716
Operation of Non-Instructional Services	323,422	57,767
Extracurricular Activities	162,768	126,844
Interest and Fiscal Charges	202,139	202,139
Total Expenses	\$7,969,635	\$6,538,459

The School District's Funds

Information about the School District's major funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$8,625,894 and expenditures of \$8,000,935. The net change in fund balance for the year was most significant in the General Fund, an increase of \$519,094. This increase was caused primarily by the increase in taxes and tuition and fees revenues. The net change in fund balance for the year in Debt Service Fund was an increase of \$52,953. This increase was caused primarily by the decrease in debt service payments.

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

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. 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.

The School District's ending unobligated cash balance was \$781,673 above the final budgeted amount in the General Fund.

For the General Fund, budget basis actual revenue was \$7,349,135 with original budget estimates of \$6,894,806. This is an increase of seven percent mainly due to increase in tuition and fees from student foundation settlements received.

Capital Assets and Debt Administration

Capital Assets

The Williamsburg Local School District's investment in capital assets as of June 30, 2004 was \$10,010,655. This investment in capital assets includes land, land improvements, buildings and improvements, furniture, fixtures and equipment, and vehicles. Table 4 shows fiscal year 2004 balances compared to 2003:

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

	2004	2003
Land	\$99,200	\$99,200
Land Improvements	107,889	112,032
Buildings and Improvements	8,959,937	9,160,545
Furniture, Fixtures, and Equipment	695,381	741,893
Vehicles	148,248	166,555
Totals	\$10,010,655	\$10,280,225

Net capital assets decreased \$269,570 from the prior year. This is mainly due to the deletions of vehicles and depreciation expense exceeding additions.

For more information on capital assets, refer to note 8 to the basic financial statements.

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

Debt

At June 30, 2004 the School District had \$3,400,000 in bonds outstanding with \$140,000 due within one year. Table 5 summarizes bonds and notes outstanding:

(Table 5)
 Outstanding Debt, at Year End
 Governmental Activities

	2004	2003
General Obligation Bonds:		
1996 School Improvement Bonds 3.40%	\$3,400,000	\$3,530,000

The School District's overall legal debt margin was \$5,986,724 with an unvoted debt margin of \$99,744 at June 30, 2004

For more information on debt, refer to note 14 to the basic financial statements.

District Challenges for the Future

The Williamsburg Local School District is proud of the community's loyal support. The voters approved a renewal and an increase of an Emergency Levy in August, 2004. Management believes that this was achieved in recognition of the School District's efforts towards financial accountability and also excellence in education.

In April, 2001 the School District was placed in Fiscal Watch by the State Auditor. Since that time, the School District has made major reductions in both teaching and non-teaching staff and other reductions in expenditures affecting all areas of operating the School District. Strong and effective fiscal constraints and controls, as well as reallocating resources have assisted in the School District's recovery. Furthermore, a consultant with the Ohio Department of Education meets with administration each month to advise on financial and other operational matters.

Issues of funding continue as a concern, and particularly, personal property tax revenue and changes in laws. Prior to 1999, the School District received thirty-five percent of total tax revenue from personal property taxes paid by businesses. In 1999, a local business representing twenty-five percent of the School District's tax revenue was given a tax abatement to develop a foreign trade zone. The School District negotiated a Pilot Agreement with the business to pay a portion of the tax which they were paying to the State, directly to the School District.

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

Beginning in 2002, Ohio tax laws changed to require that the personal property tax assessment rate imposed on inventories of manufacturers be reduced at the rate of one percent each year until 2005 and then reduced two percent each year until the tax is phased out altogether. Since the Pilot Agreement is based on the law, payment to the School District is being reduced at the same rate. Legislation is now being discussed to eliminate this tax at a much more accelerated rate. Given the School District's significant reliance on this source of revenue, its elimination would have a significant impact.

School District personnel continue to make strides in the area of educating students. Their efforts moved the School District to Effective on the State Report Card in 2002- 2003 school year. That year, the School District was recognized by the State for improving ten or more points on the Report Card over two years. In spite of limited resources, staff are committed to achieving excellence in all programs offered.

In conclusion, the Williamsburg Local School District's system of financial planning, budgeting and internal financial controls are well regarded. Uncertainties in funding, those described above and others, require management to plan carefully and prudently to provide the resources to meet student needs over the next several years. The School District plans to continue its sound fiscal management to meet the challenges of the future and to provide the best educational opportunities to its children.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Holly J. Cahall, Treasurer at Williamsburg Local School District, 549A West Main Street, Williamsburg, OH 45176 or email at Cahall_H@burgschools.org.

Williamsburg Local School District

Statement of Net Assets

June 30, 2004

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$3,322,140
Accounts Receivable	584
Prepaid Items	34,415
Materials and Supplies Inventory	6,699
Intergovernmental Receivable	70,055
Taxes Receivable	2,583,239
Capital Assets:	
Land	99,200
Depreciable Capital Assets, Net	<u>9,911,455</u>
<i>Total Assets</i>	<u>16,027,787</u>
Liabilities	
Accounts Payable	141,676
Accrued Wages and Benefits	581,243
Contracts Payable	10,737
Intergovernmental Payable	209,048
Deferred Revenue	2,088,659
Matured Compensated Absences Payable	96,826
Accrued Interest Payable	16,150
Long-Term Liabilities:	
Due Within One Year	238,809
Due in More Than One Year	<u>3,724,015</u>
<i>Total Liabilities</i>	<u>7,107,163</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	6,572,310
Restricted for:	
Capital Outlay	47,303
Debt Service	414,437
Other Purposes	21,934
Set-Asides	144,945
Unrestricted	<u>1,719,695</u>
<i>Total Net Assets</i>	<u><u>\$8,920,624</u></u>

See accompanying notes to the basic financial statements

Williamsburg Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues	
Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest
Governmental Activities		
Instruction:		
Regular	\$3,543,021	\$242,176
Special	657,253	0
Vocational	56,606	0
Support Services:		
Pupils	238,810	0
Instructional Staff	397,569	0
Board of Education	21,343	0
Administration	645,914	0
Fiscal	262,813	0
Operation and Maintenance of Plant	890,808	167,466
Pupil Transportation	567,169	0
Operation of Non-Instructional Services:		
Other	20,137	0
Food Services	303,285	194,292
Extracurricular Activities	162,768	35,456
Interest and Fiscal Charges	202,139	0
Total Governmental Activities	<u>\$7,969,635</u>	<u>\$639,390</u>
	<u>\$732,395</u>	<u>\$732,395</u>

General Revenues:
Property Taxes Levied for:
 General Purposes
 Debt Service
 Capital Outlay
Grants and Entitlements not Restricted
to Specific Programs
Gifts and Donations
Investment Earnings
Revenue in Lieu of Taxes
Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year - See Note 3

Net Assets End of Year

See accompanying notes to the basic financial statements

Net (Expense)Revenue and Changes in Net Assets	
Capital Grants and Contributions	Governmental Activities
\$0	(\$3,159,992)
0	(400,417)
0	(48,584)
0	(118,579)
0	(290,314)
0	(21,343)
0	(633,711)
0	(262,813)
0	(723,275)
59,391	(492,681)
0	(20,137)
0	(37,630)
0	(126,844)
0	(202,139)
<u>\$59,391</u>	<u>(6,538,459)</u>

2,339,306
348,087
42,194
3,701,177
12,798
32,836
522,769
121,113
<u>7,120,280</u>
581,821
<u>8,338,803</u>
<u>\$8,920,624</u>

This page intentionally left blank.

Williamsburg Local School District

Balance Sheet
Governmental Funds
June 30, 2004

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,691,960	\$365,800	\$111,037	\$3,168,797
Materials and Supplies Inventory	0	0	6,699	6,699
Accounts Receivable	584	0	0	584
Interfund Receivable	4,302	0	0	4,302
Intergovernmental Receivable	0	0	70,055	70,055
Prepaid Items	34,415	0	0	34,415
Property Taxes Receivable	2,178,318	361,115	43,806	2,583,239
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	153,343	0	0	153,343
<i>Total Assets</i>	<u>\$5,062,922</u>	<u>\$726,915</u>	<u>\$231,597</u>	<u>\$6,021,434</u>
Liabilities				
Accounts Payable	\$134,324	\$0	\$7,352	\$141,676
Accrued Wages and Benefits	524,544	0	56,699	581,243
Contracts Payable	10,737	0	0	10,737
Interfund Payable	0	0	4,302	4,302
Intergovernmental Payable	138,934	0	7,788	146,722
Matured Compensated Absences Payable	96,826	0	0	96,826
Deferred Revenue	1,896,118	317,115	38,506	2,251,739
<i>Total Liabilities</i>	<u>2,801,483</u>	<u>317,115</u>	<u>114,647</u>	<u>3,233,245</u>
Fund Balances				
Reserved for Encumbrances	265,944	0	12,370	278,314
Reserved for Property Taxes	282,200	44,000	5,300	331,500
Reserved for Textbooks and Instructional Materials	144,945	0	0	144,945
Reserved for Bus Purchases	8,398	0	0	8,398
Unreserved:				
Undesignated, Reported in:				
General Fund	1,559,952	0	0	1,559,952
Special Revenue Funds	0	0	62,775	62,775
Debt Service Funds	0	365,800	0	365,800
Capital Projects Funds	0	0	36,505	36,505
<i>Total Fund Balances</i>	<u>2,261,439</u>	<u>409,800</u>	<u>116,950</u>	<u>2,788,189</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,062,922</u>	<u>\$726,915</u>	<u>\$231,597</u>	<u>\$6,021,434</u>

See accompanying notes to the basic financial statements

Williamsburg Local School District
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004

Total Governmental Fund Balances \$2,788,189

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	99,200	
Capital assets	14,691,969	
Accumulated depreciation	(4,780,514)	
Total capital assets	10,010,655	10,010,655

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.

Taxes		163,080
-------	--	---------

Intergovernmental payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.

(62,326)

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

Bonds payable	(3,400,000)	
Capital Lease Payable	(38,345)	
Accrued Interest	(16,150)	
Compensated Absences	(524,479)	
Total liabilities	(3,978,974)	(3,978,974)

Net Assets of Governmental Activities \$8,920,624

See accompanying notes to the basic financial statements

Williamsburg Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General Fund	Debt Service Fund	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$2,409,106	\$352,123	\$42,796	\$2,804,025
Intergovernmental	3,860,618	37,272	594,538	4,492,428
Interest	33,628	0	539	34,167
Tuition and Fees	235,076	0	0	235,076
Rent	174,566	0	0	174,566
Extracurricular Activities	3,140	0	32,316	35,456
Gifts and Donations	12,798	0	468	13,266
Customer Sales and Services	0	0	194,292	194,292
Payments in Lieu of Taxes	522,769	0	0	522,769
Miscellaneous	90,380	0	30,733	121,113
Decrease in Fair Value of Investments	(1,264)	0	0	(1,264)
<i>Total Revenues</i>	<u>7,340,817</u>	<u>389,395</u>	<u>895,682</u>	<u>8,625,894</u>
Expenditures				
Current:				
Instruction:				
Regular	3,353,021	0	135,357	3,488,378
Special	552,291	0	119,003	671,294
Vocational	64,076	0	0	64,076
Support Services:				
Pupils	115,790	0	120,231	236,021
Instructional Staff	296,183	0	89,387	385,570
Board of Education	18,869	0	0	18,869
Administration	619,154	0	20,472	639,626
Fiscal	247,686	6,547	802	255,035
Operation and Maintenance of Plant	844,084	0	14,155	858,239
Pupil Transportation	528,983	0	5,851	534,834
Operation of Non-Instructional Services:				
Other	16,851	0	0	16,851
Food Service Operations	0	0	291,173	291,173
Extracurricular Activities	128,787	0	28,898	157,685
Capital Outlay	21,031	0	16,441	37,472
Debt Service				
Principal Retirement	13,490	130,000	0	143,490
Interest and Fiscal Charges	2,427	199,895	0	202,322
<i>Total Expenditures</i>	<u>6,822,723</u>	<u>336,442</u>	<u>841,770</u>	<u>8,000,935</u>
<i>Excess of Revenues Over Expenditures</i>	518,094	52,953	53,912	624,959
Other Financing Sources				
Proceeds from Sale of Capital Assets	1,000	0	0	1,000
<i>Net Change in Fund Balances</i>	519,094	52,953	53,912	625,959
<i>Fund Balance at Beginning of Year - Restated (See Note 3)</i>	<u>1,742,345</u>	<u>356,847</u>	<u>63,038</u>	<u>2,162,230</u>
<i>Fund Balance at End of Year</i>	<u><u>\$2,261,439</u></u>	<u><u>\$409,800</u></u>	<u><u>\$116,950</u></u>	<u><u>\$2,788,189</u></u>

See accompanying notes to the basic financial statements

Williamsburg Local School District
 Reconciliation of the Change 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 \$625,959

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	105,915	
Depreciation expense	(315,183)	
Excess of capital outlay over depreciation expense		(209,268)

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

Proceeds from Sale of Capital Assets	(1,000)	
Loss on Disposal of Capital Assets	(59,302)	
		(60,302)

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		(74,438)
---------------------------	--	----------

Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond principal retirement	130,000	
Capital lease payment	13,490	
Total long-term debt repayment		143,490

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

Decrease in accrued interest payable	183	
Decrease in compensated absences	159,789	
Increase in intergovernmental payable	(3,592)	
Total additional expenditures		156,380

Change in Net Assets of Governmental Activities \$581,821

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

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$2,055,108	\$2,415,283	\$2,415,306	\$23
Intergovernmental	3,588,659	3,866,756	3,860,618	(6,138)
Interest	40,000	37,186	33,628	(3,558)
Tuition and Fees	155,400	229,995	234,532	4,537
Rent	344,139	174,565	174,566	1
Extracurricular Activities	3,500	1,639	3,140	1,501
Gifts and Donations	0	11,826	12,798	972
Payments in Lieu of Taxes	530,000	522,000	522,769	769
Miscellaneous	178,000	89,125	91,778	2,653
Total Revenues	6,894,806	7,348,375	7,349,135	760
Expenditures				
Current:				
Instruction:				
Regular	3,162,201	3,464,755	3,312,693	152,062
Special	647,492	646,667	547,719	98,948
Vocational	89,483	89,095	63,877	25,218
Support Services:				
Pupils	270,581	268,994	115,864	153,130
Instructional Staff	298,928	296,800	300,097	(3,297)
Board of Education	26,274	26,137	17,939	8,198
Administration	724,090	715,770	622,952	92,818
Fiscal	269,908	265,679	247,435	18,244
Operation and Maintenance of Plant	1,379,644	1,170,760	935,055	235,705
Pupil Transportation	419,689	419,818	542,284	(122,466)
Operation of Non-Instructional Services	0	0	14,642	(14,642)
Extracurricular Activities	145,128	148,834	127,977	20,857
Capital Outlay	138,322	157,161	32,764	124,397
Total Expenditures	7,571,740	7,670,470	6,881,298	789,172
Excess of Revenues Over (Under) Expenditures	(676,934)	(322,095)	467,837	789,932
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	1,000	1,000
Refund of Prior Year Expenditures	0	0	1,391	1,391
Transfers In	98,000	73,900	0	(73,900)
Advances In	10,000	8,000	36,250	28,250
Transfers Out	(55,000)	(55,000)	0	55,000
Advances Out	(15,000)	(15,000)	(35,000)	(20,000)
Total Other Financing Sources (Uses)	38,000	11,900	3,641	(8,259)
Net Change in Fund Balance	(638,934)	(310,195)	471,478	781,673
Fund Balance at Beginning of Year	1,914,592	1,914,592	1,914,592	0
Prior Year Encumbrances Appropriated	155,959	155,959	155,959	0
Fund Balance at End of Year	\$1,431,617	\$1,760,356	\$2,542,029	\$781,673

See accompanying notes to the basic financial statements

Williamsburg Local School District
Statement of Assets and Liabilities
Fiduciary Fund
June 30, 2004

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$33,459</u>
<i>Total Assets</i>	<u><u>\$33,459</u></u>
Liabilities	
Undistributed Monies	<u>\$33,459</u>
<i>Total Liabilities</i>	<u><u>\$33,459</u></u>

See accompanying notes to the basic financial statements

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

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

Reporting Entity:

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Williamsburg Local School District, this includes general operations, food services, 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 two jointly governed organizations and three insurance purchasing pools. These organizations are discussed in Notes 17 and 18 of the basic financial statements. These organizations are:

Jointly Governed Organizations:

Hamilton/Clermont Cooperative Association
U.S. Grant Joint Vocational School

Insurance Purchasing Pools

Clermont County Insurance Consortium
Ohio Association of School Business Officials Workers’ Compensation Group
Rating Plan
Ohio School Plan

Williamsburg 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 Williamsburg Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its 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 government-wide financial statements usually distinguish between those activities that are governmental and those that are considered business-type activities. The School District, however, has no activities which are reported as business-type.

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

Fund Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. 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 are the School District's major governmental funds:

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

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

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

Fiduciary Fund

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 does not involve measurement of results of operations. The School District's only fiduciary fund is an Agency Fund. The School District's agency fund accounts for those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

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.

D. Basis of Accounting

The 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.

Revenue – 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.

Williamsburg 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)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6.) Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred Revenue

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

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

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

Williamsburg 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)

During fiscal year 2004, the School District invested in the State Treasury Assets Reserve of Ohio (STAROhio), and Federal Home Loan Bank Bonds. 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.

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 \$33,628 which includes \$9,046 assigned from other School District funds.

Deposit and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Inventory

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

G. 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, laws of other governments, or imposed by enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District and restricted for textbooks and instructional materials, and unexpended revenues restricted for the purchase of buses.

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.

Williamsburg 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)

I. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. General capital assets usually 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 two thousand five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, except land, 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	5-20 years
Buildings and Improvements	25-80 years
Furniture, Fixtures and Equipment	5-20 years
Vehicles	8 years

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the governmental 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 during the current fiscal year. Bonds and capital leases that will be paid from governmental funds are recognized as an expenditure and a liability on the governmental fund financial statements when due.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

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

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

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are reported as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the funds from which the employees will be paid.

L. 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 resources restricted for food service, music and athletic programs, and federal and State grants restricted to expenditures for specified purposes.

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, property taxes, textbooks and instructional materials, and bus purchases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2004.

N. Interfund Transactions

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

O. Estimates

The preparation of the 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.

P. Budgetary Process

All funds, other than the agency fund, 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 budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education. The Treasurer has been authorized to allocate Board appropriations to the function and object level within each fund.

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

Williamsburg 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)

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 fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

Q. 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.

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES

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 and Management's Discussion and Analysis 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 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.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (continued)

GASB Statement No. 39, “Determining Whether Certain Organizations are Component Units”, 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.

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 and Uniform School Supply Fund from an Enterprise Fund to 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.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES (continued)

	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2003	\$1,639,277	\$356,847	\$38,303	\$2,034,427
Interpretation No. 6 Adjustments	103,068	0	0	103,068
Fund Reclassifications	0	0	24,735	24,735
Adjusted Fund Balance, June 30, 2003	<u>\$1,742,345</u>	<u>\$356,847</u>	<u>\$63,038</u>	2,162,230
GASB No. 34 Adjustments:				
Deferred Assets:				
Delinquent Property Taxes				237,518
Capital Assets				10,280,225
Intergovernmental Payable				(58,734)
Accrued Interest Payable				(16,333)
Long-Term Liabilities:				
Bonds Payable				(3,530,000)
Capital Lease Payable				(51,835)
Compensated Absences				<u>(684,268)</u>
Governmental Activities Net				
Assets, June 30, 2003				<u>\$8,338,803</u>

	<u>Food Service Enterprise Fund</u>
Fund Equity, June 30, 2003	\$24,735
Fund Reclassification	<u>(24,735)</u>
Restated Fund Equity, June 30, 2003	<u>\$0</u>

NOTE 4– BUDGETARY BASIS OF ACCOUNTING

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

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 4— BUDGETARY BASIS OF ACCOUNTING (continued)

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Change in the Fair Value of Investment is not included on budget basis operating statement. This amount is included as revenue on GAAP basis operating statement.
5. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$519,094
Adjustments:	
Revenue Accruals	8,445
Expenditure Accruals	250,265
Decrease in Fair Market Value of Investment	3
Advances	1,250
Encumbrances	(308,840)
Budget Basis	\$471,481

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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 payment of principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$51 and the bank balance was \$199,048. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$99,048 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	Unclassified	Category 2	Fair Value
STAROhio	\$3,057,934	\$0	\$3,057,934
Federal Home Loan Bank Bonds	0	297,564	297,564
Totals	\$3,057,934	\$297,564	\$3,355,498

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:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$3,355,599	\$0
Cash on Hand	(50)	0
Investments:		
STAROhio	(3,057,934)	3,057,934
Federal Home Loan Bank Bonds	(297,564)	297,564
GASB Statement No. 3	\$51	\$3,355,498

NOTE 6 - PROPERTY TAXES

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

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.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar 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 Clermont and Brown Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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 delayed settlement of personal property tax, collectible delinquent taxes and the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004, was \$282,200 in the General Fund, \$44,000 in the Debt Service Fund and \$5,300 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$288,400 in the General Fund, \$5,500 in the Classroom Facilities Maintenance Nonmajor Special Revenue Fund, and \$46,500 in the Debt Service Fund.

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 6 - PROPERTY TAXES (continued)

	2003 Second- Half Collections		2004 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$87,553,750	89.58%	\$88,788,530	89.02%
Public Utility	4,181,290	4.28%	4,192,960	4.20%
Tangible Personal Property	5,998,045	6.14%	6,762,106	6.78%
Total Assessed Value	\$97,733,085	100.00%	\$99,743,596	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$45.00		 \$45.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2004, consisted of accounts, interfund, intergovernmental grants, and property taxes. All receivables are considered collectible in full and will be received in 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:

	Amounts
Governmental Activities:	
Title I	\$51,626
Title II-A	10,807
Food Service - Federal Reimbursement	7,622
Total Intergovernmental Receivables	\$70,055

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 – CAPITAL ASSETS

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

	Restated Balance at 6/30/03	Additions	Deductions	Balance at 6/30/04
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$99,200	\$0	\$0	\$99,200
Capital Assets Being Depreciated:				
Land Improvements	1,368,060	0	0	1,368,060
Buildings and Improvements	11,443,981	22,900	0	11,466,881
Furniture, Fixtures and Equipment	1,295,687	10,235	0	1,305,922
Vehicles	667,642	72,780	(166,398)	574,024
Totals Capital Assets, Being Depreciated	14,775,370	105,915	(166,398)	14,714,887
Less Accumulated Depreciation:				
Land Improvements	(1,256,028)	(4,143)	0	(1,260,171)
Buildings and Improvements	(2,283,436)	(223,508)	0	(2,506,944)
Furniture, Fixtures and Equipment	(553,794)	(56,747)	0	(610,541)
Vehicles	(501,087)	(30,785)	106,096	(425,776)
Total Accumulated Depreciation	(4,594,345)	(315,183)*	106,096	(4,803,432)
Total Capital Assets Being Depreciated, Net	10,181,025	(209,268)	(60,302)	9,911,455
Governmental Activities Capital Assets, Net	\$10,280,225	(\$209,268)	(\$60,302)	\$10,010,655

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 8 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$137,338
Special	14,623
Vocational	1,828
Support Services:	
Pupils	1,828
Instructional Staff	24,194
Administration	16,237
Fiscal	6,058
Operation and Maintenance of Plant	32,546
Pupil Transportation	50,892
Operation of Non-Instructional Services - Food Services	24,556
Extracurricular Activities	5,083
Total Depreciation Expense	<u><u>\$315,183</u></u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the School District contracted with Indiana Insurance for property insurance and inland marine coverage and Harcum-Hyre Schuett for liability and fleet insurance.

Insurance coverage provided includes the following:

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

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 9 - RISK MANAGEMENT (continued)

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

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

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

For fiscal year 2004, the School District participated in the Clermont County Health Insurance Consortium (the Consortium), an insurance purchasing pool, in order to provide dental, life, medical, and disability benefits to employees, their dependents and designated beneficiaries (See Note 18).

For fiscal year 2004, the School District participated in the Ohio Association of School Business Officials Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (See 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 Sheakley Uniservice, Inc. provides administrative, cost control and actuarial services to the GRP. Each year the School District pays an enrollment fee to the GRP to cover the costs of administration the program.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 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 \$90,005, \$90,927, and \$51,467, respectively; 53.12 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002.

B. State Teachers Retirement System

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 10 - PENSION PLANS (continued)

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 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2004, 2003, and 2002 were \$386,817, \$401,027, and \$280,154, respectively; 82.76 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$6,943 made by the School District and \$6,620 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or Combined Plans and their dependants are eligible for health 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 Reserve Fund. For the School District, this amount equaled \$29,755 for fiscal year 2004.

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

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 \$14,500. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$67,615.

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.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 12 – OTHER EMPLOYEE BENEFITS

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. Teachers do not earn vacation time. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment.

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

NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease have been capitalized in the Statement of Net Assets for governmental activities in the amount of \$69,763, which is equal to the present value of future minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2004 totaled \$13,490.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Copiers	\$69,763
Less: Accumulated Depreciation	<u>(29,068)</u>
Total	<u><u>\$40,695</u></u>

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 13 – CAPITALIZED LEASES – LESSEE DISCLOSURE (continued)

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2004.

Fiscal Year Ending June 30,	Payment
2005	\$15,917
2006	15,917
2007	9,285
Total Minimum Lease Payments	41,119
Less: Amount Representing Interest	(2,774)
Present Value of Minimum Lease Payments	\$38,345

NOTE 14 - LONG-TERM OBLIGATIONS

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

	Amount Outstanding 7/1/03	Additions	Deductions	Amount Outstanding 6/30/04	Amounts Due in One Year
<u>General Obligation Bonds:</u>					
1996 School Improvement Bonds - 3.4%	\$3,530,000	\$0	\$130,000	\$3,400,000	\$140,000
Capital Lease Payable	51,835	0	13,490	38,345	14,224
Compensated Absences	684,268	91,780	251,569	524,479	84,585
Total Governmental Activities Long- Term Obligations	\$4,266,103	\$91,780	\$395,059	\$3,962,824	\$238,809

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

Compensated absences will be paid from the General and Food Service Funds. Capital lease obligations will be paid from the General Fund.

The School District's overall legal debt margin was \$5,986,724 with an unvoted debt margin of \$99,744 at June 30, 2004.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

GENERAL OBLIGATION BONDS			
Fiscal year Ending June 30,	Principal	Interest	Total
2005	\$140,000	\$193,885	\$333,885
2006	145,000	187,400	332,400
2007	150,000	166,253	316,253
2008	185,000	143,769	328,769
2009	195,000	134,174	329,174
2010-2014	1,135,000	510,125	1,645,125
2015-2019	1,450,000	188,750	1,638,750
Total	\$3,400,000	\$1,524,356	\$4,924,356

NOTE 15 – INTERFUND ACTIVITY

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

		Receivable
Payable		General
All Other Nonmajor Governmental Funds		\$4,302

The amounts due to the General Fund are the result of the School District moving unrestricted balances to support programs and projects accounted for in other funds. The General Fund will be reimbursed when funds become available in the special revenue funds.

NOTE 16 - 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 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.

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 16 - SET-ASIDE CALCULATIONS (continued)

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

	<u>Textbooks</u>	<u>Capital Acquisitions</u>
Set-aside Reserve Balance as of June 30, 2003	\$89,503	\$0
Current Year Set-aside Replacement	135,847	135,847
Current Year Offsets	0	(42,996)
Qualifying Disbursements	<u>(80,405)</u>	<u>(137,055)</u>
Set-aside Reserve Balance Carried Forward to Future Years	<u>\$144,945</u>	<u>\$0</u>
Set-aside Reserve Balance as of June 30, 2004	<u>\$144,945</u>	<u>\$0</u>

Although the School District had offsets and qualifying disbursements during the year that reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future years and therefore is not presented as being carried forward to the next fiscal year.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Hamilton/Clermont Cooperative Association

The Williamsburg Local School District is a participant in a two-county consortium of school districts to operate The Hamilton/Clermont Cooperative Association (H/CCA). H/CCA is an association of public districts in a geographic area determined by the Ohio Department of Education. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The Board of H/CCA consists of one representative from each of the participating members. The School District paid \$36,674 for services provided during the fiscal year. Complete financial statements for H/CCA can be obtained from Al Porter, Director, at their administrative offices at 7615 Harrison Avenue, Cincinnati, Ohio 45231.

B. U.S. Grant Joint Vocational School

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

NOTE 18 - INSURANCE PURCHASING POOLS

A. Clermont County Insurance Consortium

The Clermont County Insurance Consortium (the Consortium), an insurance purchasing pool, is an insurance consortium formed to provide affordable and desirable dental, life, medical, and other disability group insurance for members' employees, eligible dependents and designated beneficiaries of such employees. The Board of Directors consists of one representative from each of the participating members and is elected by the vote of a majority of the member school districts. The School District pays premiums to a third party administrator, Southwestern Ohio Educational Purchasing Council, which in turn buys the insurance policies from various insurance companies. Upon termination, the School District is responsible for prompt payment of all plan liabilities accruing as a result of such termination and maintains no right to any assets of the Consortium. The School District may terminate participation in the Consortium for the benefit if its employees upon written notice to the Trustee delivered at least sixty days prior to the annual review date of the policy. Financial information can be obtained from Dr. Alexander, Administrator of the Clermont County Insurance Consortium, at 2400 Clermont Center Drive, Suite 202, Batavia, OH 45103.

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

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

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

C. Ohio School Plan

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

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 19 – 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 20 - 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 are 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.

B. Litigation

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

NOTE 21 – FISCAL WATCH

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

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

- The operating deficit in the General Fund exceeded eight percent of the general revenues for the prior fiscal year;

Williamsburg Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

NOTE 21 – FISCAL WATCH (continued)

- the School District's unencumbered and unreserved cash balance for the preceding fiscal year was less than eight percent of the preceding fiscal year expenditures; and
- the School District has not passed a levy that will eliminate the first two conditions.

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

NOTE 22 – SUBSEQUENT EVENT

On August 3, 2004, the School District renewed a 3.9 mill operating levy as well as an increase of 2.5 mills to the operating levy. Therefore, the total emergency operating levy is 6.4 mills.

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Williamsburg Local School District, Clermont County, Ohio (the District), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated May 27, 2005, we reported a matter involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 27, 2005, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 27, 2005



**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

WILLIAMSBURG LOCAL SCHOOL DISTRICT

CLERMONT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 30, 2005**