



**Auditor of State
Betty Montgomery**

**WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

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WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Washington Courthouse City School District
Fayette County
P.O. Box 520
Washington Courthouse, Ohio 43160

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Washington Courthouse City School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Washington Court House City School District, Fayette County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, 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*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*, Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, Governmental Accounting Standards Board Statement No. 41, *Budgetary Comparison Schedules - Perspective Differences*, and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual (Non-GAAP Budgetary Basis) are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Betty Montgomery
Auditor of State

March 22, 2004

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2003
(Unaudited)

The discussion and analysis of Washington Court House City School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the District's performance.

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

Financial Highlights

Key financial highlights for 2003 are as follows:

- In total, net assets decreased \$0.2 million. Net assets of governmental activities decreased \$0.2 million which represents a 4% decrease from 2002. Net assets of business-type activities increased \$37.8 thousand or 111% from 2002.
- General revenues accounted for \$13.1 million in revenue or 84% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2.5 million or 16% of total revenues of \$15.6 million.
- Total assets of governmental activities increased by \$0.4 million as taxes receivable increased by \$0.1 million while cash and other receivables increased by \$0.3 million.
- The District had \$15.1 million in expenses related to governmental activities; \$1.7 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$13.2 million were also used to provide for these programs.
- As the major fund, the General Fund had \$12.9 million in revenues and \$13.1 million in expenditures. The General Fund's fund balance decreased from \$0.5 to \$0.3 million.

Using the Basic Financial Statements

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the questions, "How did we do financially during 2003?" The *Statement of Net Assets* and the *Statement of Activities* answers this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the *Statement of Net Assets* and the *Statement of Activities*, the District is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The District's food service, uniform school supply, recreation and special enterprise are reported as business activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

The District has three kinds of funds:

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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

The District as a Whole

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

Table 1 provides a summary of the District's net assets for 2002 compared to 2003:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Assets						
Current and Other Assets	\$6,792,844	\$6,316,907	\$102,363	\$81,553	\$6,895,207	\$6,398,460
Capital Assets	4,001,834	4,038,655	36,455	42,086	4,038,289	4,080,741
Total Assets	10,794,678	10,355,562	138,818	123,639	10,933,496	10,479,201
Liabilities						
Long-Term Liabilities	715,785	492,123	6,773	3,179	722,558	495,302
Other Liabilities	5,485,123	5,022,629	60,038	86,308	5,545,161	5,108,937
Total Liabilities	6,200,908	5,514,752	66,811	89,487	6,267,719	5,604,239

Net Assets						
Invested in Capital						
Assets Net of Debt	3,756,834	3,958,866	36,455	42,086	3,793,289	4,000,952
Restricted	1,534,414	1,616,930	0	0	1,534,414	1,616,930
Unrestricted	<u>(697,478)</u>	<u>(734,986)</u>	<u>35,552</u>	<u>(7,934)</u>	<u>(661,926)</u>	<u>(742,920)</u>
Total Net Assets	<u>\$4,593,770</u>	<u>\$4,840,810</u>	<u>\$72,007</u>	<u>\$34,152</u>	<u>\$4,665,777</u>	<u>\$4,874,962</u>

Total assets increased \$0.4 million. Equity in pooled cash and cash equivalents increased \$0.1 million. Taxes receivable increased \$0.2 million. Total liabilities increased \$0.6 million, resulting in a net asset decrease of \$0.2 million.

The net assets of the District business-type activities increased by \$37.8 thousand. Since the increase was slight, management has reviewed and, where feasible, increased fees. This action should ensure that business-type activities remain self-supporting.

Table 2 shows the change in net assets for fiscal year 2003. Since this is the first year the District has prepared financial statements following GASB Statement 34, revenue and expense comparisons to fiscal year 2002 are not available.

Table 2
Changes in Net Assets

	Governmental Activities 2003	Business-Type Activities 2003	Total 2003
Revenues			
Program Revenues:			
Charges for Services	\$302,359	\$392,570	\$694,929
Operating Grants	1,316,127	366,685	1,682,812
Capital Grants	97,141	0	97,141
General Revenue:			
Property Taxes	4,019,048	0	4,019,048
Grants and Entitlements	8,936,143	0	8,936,143
Other	<u>210,829</u>	<u>1,448</u>	<u>212,277</u>
Total Revenues	<u>14,881,647</u>	<u>760,703</u>	<u>15,642,350</u>
Program Expenses:			
Instruction	9,416,992	0	9,416,992
Support Services:			
Pupil and Instructional Staff	1,652,671	0	1,652,671
General and School Administrative, Fiscal and Business	1,568,594	0	1,568,594
Operations and Maintenance	1,404,930	0	1,404,930
Pupil Transportation	502,858	0	502,858
Central	99,716	0	99,716
Community Services	3,648	0	3,648
Extracurricular Activities	458,436	0	458,436
Interest and Fiscal Charges	20,842	0	20,842
Food Service	0	710,687	710,687
Uniform School Supply	0	938	938
Recreation	0	657	657
Special Enterprise	<u>0</u>	<u>10,566</u>	<u>10,566</u>
Total Expenses	<u>15,128,687</u>	<u>722,848</u>	<u>15,851,535</u>
Change in Net Assets	<u>(\$247,040)</u>	<u>\$37,855</u>	<u>(\$209,185)</u>

Governmental Activities

The District revenues are mainly from two sources. Property taxes levied for general and capital projects purposes and grants and entitlements comprised 83% of the District's revenues for governmental activities.

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

Thus Ohio districts do not receive additional property tax revenue from an increase in appraisal value and must regularly return to the voters to maintain a constant level of service. Property taxes made up 27% of revenue for governmental activities for the District in fiscal year 2003.

Instruction comprises 62% of governmental program expenses. Support services expenses were 35% of governmental program expenses. All other expenses and interest expense was 3%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. Comparisons to 2002 have not been made since they are not available.

Table 3
Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Instruction	\$9,416,992	\$8,617,925
Support Services:		
Pupil and Instructional Staff	1,652,671	1,185,073
General and School Administrative, Fiscal and Business	1,568,594	1,429,837
Operations and Maintenance	1,404,930	1,326,241
Pupil Transportation	502,858	473,717
Central	99,716	61,623
Community Services	3,648	3,583
Extracurricular Activities	458,436	294,219
Interest and Fiscal Charges	<u>20,842</u>	<u>20,842</u>
Total Expenses	<u>\$15,128,687</u>	<u>\$13,413,060</u>

Business-Type Activities

Business-type activities, include the food service operation, the sale of uniform school supplies, recreation operation and special enterprises. These programs had revenues of \$0.7 million and expenses of \$0.7 million for fiscal year 2003.

The District's Funds

Information about the District's major funds are presented in the Fund Financial Statements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$14,906,668 and expenditures and other financing uses of \$15,034,050. The net change in fund balance for the year was (\$127,382).

General Fund Budgeting Highlights

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

During the course of fiscal 2003, the District amended its general fund budget numerous times, however none were significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$13.4 million, above original budget estimates of \$14.8 million. Of this \$1.4 million difference, most was due to a over estimate for taxes and intergovernmental revenue.

The District's ending unobligated cash balance was \$0.1 million above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2003, the District had \$4.0 million invested in land, buildings, and equipment. Table 4 shows fiscal 2003 balances compared to fiscal 2002:

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

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$383,734	\$383,734	\$0	\$0	\$383,734	\$383,734
Buildings and Improvements	2,242,972	2,258,119	0	0	2,242,972	2,258,119
Equipment	<u>1,375,128</u>	<u>1,396,802</u>	<u>36,455</u>	<u>42,086</u>	<u>1,411,583</u>	<u>1,438,888</u>
Total Net Assets	<u>\$4,001,834</u>	<u>\$4,038,655</u>	<u>\$36,455</u>	<u>\$42,086</u>	<u>\$4,038,289</u>	<u>\$4,080,741</u>

The decrease in capital assets is due to \$0.4 million in acquisitions, offset by the recognition of \$0.4 million in depreciation expense. This District continues its ongoing commitment to maintaining and improving its capital assets.

Debt

At June 30, 2003, the District had \$245,000 in bonds outstanding, \$30,000 due within one year. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Governmental Activities <u>2002</u>
General Obligation Bonds:		
School Improvement	<u>\$245,000</u>	<u>\$275,000</u>

For the Future

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

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

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

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

Contacting the District’s Financial Management

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

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Washington Court House City School District
Statement of Net Assets
June 30, 2003

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$1,696,343	\$80,563	\$1,776,906
Receivables:			
Taxes	4,732,747	0	4,732,747
Accounts	0	352	352
Intergovernmental	359,936	0	359,936
Internal Balances	3,818	(3,818)	0
Inventory	0	25,266	25,266
Nondepreciable Capital Assets	383,734	0	383,734
Depreciable Capital Assets, Net	3,618,100	36,455	3,654,555
Total Assets	10,794,678	138,818	10,933,496
Liabilities:			
Accounts Payable	198,705	6,389	205,094
Accrued Wages and Benefits	1,418,319	48,198	1,466,517
Accrued Interest Payable	7,108	0	7,108
Deferred Revenue	3,760,991	5,451	3,766,442
General Obligation Notes Payable	100,000	0	100,000
Long-Term Liabilities:			
Due Within One Year	143,194	437	143,631
Due In More Than One Year	572,591	6,336	578,927
Total Liabilities	6,200,908	66,811	6,267,719
Net Assets:			
Invested in Capital Assets, Net of Related Debt	3,756,834	36,455	3,793,289
Restricted for:			
Debt Service	33,928	0	33,928
Special Revenue	1,500,486	0	1,500,486
Unrestricted (Deficit)	(697,478)	35,552	(661,926)
Total Net Assets	\$4,593,770	\$72,007	\$4,665,777

See accompanying notes.

Washington Court House City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2003

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Instruction:				
Regular	\$7,267,563	\$52,870	\$397,967	\$0
Special	1,938,020	2	333,414	0
Vocational	60,295	0	0	0
Other	151,114	2,065	12,749	0
Support Services:				
Pupil	746,589	63,341	70,149	0
Instructional Staff	906,082	1,406	332,702	0
General Administration	15,037	0	0	0
School Administration	1,163,280	7,697	128,231	0
Fiscal	390,277	7	2,822	0
Operations and Maintenance	1,404,930	10,689	0	68,000
Pupil Transportation	502,858	0	0	29,141
Central	99,716	0	38,093	0
Community Services	3,648	65	0	0
Extracurricular Activities	458,436	164,217	0	0
Interest and Fiscal Charges	20,842	0	0	0
Total Governmental Activities	15,128,687	302,359	1,316,127	97,141
Business-Type Activities:				
Food Service	710,687	376,576	366,685	0
Uniform School Supply	938	4,337	0	0
Recreation	657	0	0	0
Special Enterprise	10,566	11,657	0	0
Total Business-Type Activities	722,848	392,570	366,685	0
Totals	\$15,851,535	\$694,929	\$1,682,812	\$97,141

General Revenues:
Property Taxes Levied for:
 General Purposes
 Capital Projects
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Investment Earnings
Other Revenues

Total General Revenues & Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(\$6,816,726)	\$0	(\$6,816,726)
(1,604,604)	0	(1,604,604)
(60,295)	0	(60,295)
(136,300)	0	(136,300)
(613,099)	0	(613,099)
(571,974)	0	(571,974)
(15,037)	0	(15,037)
(1,027,352)	0	(1,027,352)
(387,448)	0	(387,448)
(1,326,241)	0	(1,326,241)
(473,717)	0	(473,717)
(61,623)	0	(61,623)
(3,583)	0	(3,583)
(294,219)	0	(294,219)
(20,842)	0	(20,842)
<u>(13,413,060)</u>	<u>0</u>	<u>(13,413,060)</u>
0	32,574	32,574
0	3,399	3,399
0	(657)	(657)
0	1,091	1,091
<u>0</u>	<u>36,407</u>	<u>36,407</u>
<u>(\$13,413,060)</u>	<u>\$36,407</u>	<u>(\$13,376,653)</u>
3,701,551	0	3,701,551
317,497	0	317,497
8,936,143	0	8,936,143
61,961	0	61,961
32,434	560	32,994
116,434	888	117,322
<u>13,166,020</u>	<u>1,448</u>	<u>13,167,468</u>
(247,040)	37,855	(209,185)
<u>4,840,810</u>	<u>34,152</u>	<u>4,874,962</u>
<u>\$4,593,770</u>	<u>\$72,007</u>	<u>\$4,665,777</u>

Washington Court House City School District
Balance Sheet
Governmental Funds
June 30, 2003

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$810,206	\$512,569	\$373,568	\$1,696,343
Receivables:				
Taxes	4,343,689	389,058	0	4,732,747
Intergovernmental	0	0	359,936	359,936
Interfund	79,220	0	0	79,220
Total Assets	5,233,115	901,627	733,504	6,868,246
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	139,899	8,000	50,806	198,705
Accrued Wages and Benefits	1,217,935	0	105,754	1,323,689
Compensated Absences	41,556	0	0	41,556
Accrued Interest Payable	2,290	0	0	2,290
Interfund Payable	0	0	75,402	75,402
Deferred Revenue	3,454,532	306,459	190,081	3,951,072
General Obligation Notes Payable	100,000	0	0	100,000
Total Liabilities	4,956,212	314,459	422,043	5,692,714
Fund Balances:				
Reserved for Encumbrances	272,497	1,500	149,211	423,208
Reserved for Property Tax Advances	889,157	82,599	0	971,756
Unreserved, Undesignated, Reported in:				
General Fund (Deficit)	(884,751)	0	0	(884,751)
Special Revenue Funds	0	0	123,504	123,504
Debt Service Funds	0	0	38,746	38,746
Capital Projects Funds	0	503,069	0	503,069
Total Fund Balances	276,903	587,168	311,461	1,175,532
Total Liabilities and Fund Balances	\$5,233,115	\$901,627	\$733,504	\$6,868,246

See accompanying notes.

Washington Court House City School District
Reconciliation of Total Governmental Fund Balance to
Net Assets of Governmental Activities
June 30, 2003

Total Governmental Fund Balance	\$1,175,532
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,001,834
Other long-term assets, such as Intergovernmental, are not available to pay for current-period expenditures and therefore are deferred in the funds.	190,081
In the statement of net assets, interest is accrued, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.	(4,818)
Some liabilities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.	(523,859)
Long-term liabilities, such as General obligation Bonds, are not due and payable in the current period and therefore are not reported in the funds.	<u>(245,000)</u>
Net Assets of Governmental Activities	<u>\$4,593,770</u>

See accompanying notes.

Washington Court House City School District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2003

	General	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$3,701,551	\$317,496	\$0	\$4,019,047
Tuition and Fees	54,008	0	0	54,008
Investment Earnings	22,747	4,775	4,913	32,435
Intergovernmental	8,998,032	48,001	1,113,298	10,159,331
Extracurricular Activities	0	0	230,079	230,079
Other Revenues	76,385	69,315	50,716	196,416
Total Revenues	12,852,723	439,587	1,399,006	14,691,316
Expenditures:				
Current:				
Instruction:				
Regular	6,610,074	69,296	319,169	6,998,539
Special	1,482,178	15,313	423,307	1,920,798
Vocational	66,052	538	0	66,590
Other	147,077	1,014	0	148,091
Support Services:				
Pupil	609,664	4,326	145,221	759,211
Instructional Staff	614,803	7,457	271,806	894,066
General Administration	15,022	6	0	15,028
School Administration	1,017,996	3,212	131,434	1,152,642
Fiscal	377,916	1,863	3,334	383,113
Operations and Maintenance	1,345,083	11,129	0	1,356,212
Pupil Transportation	444,878	187	0	445,065
Central	57,892	32	48,691	106,615
Community Services	3,562	0	86	3,648
Extracurricular Activities	348,274	0	169,624	517,898
Debt Service:				
Principal Retirement	0	0	30,000	30,000
Interest and Fiscal Charges	6,092	0	15,340	21,432
Total Expenditures	13,146,563	114,373	1,558,012	14,818,948
Excess of Revenues Over (Under) Expenditures	(293,840)	325,214	(159,006)	(127,632)
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	250	0	0	250
Transfers In	128,802	0	86,300	215,102
Transfers (Out)	(72,000)	0	(143,102)	(215,102)
Total Other Financing Sources (Uses)	57,052	0	(56,802)	250
Net Change in Fund Balance	(236,788)	325,214	(215,808)	(127,382)
Fund Balance Beginning of Year	513,691	261,954	527,269	1,302,914
Fund Balance End of Year	\$276,903	\$587,168	\$311,461	\$1,175,532

See accompanying notes.

Washington Court House City School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2003

Net Change in Fund Balance - Total Governmental Funds (\$127,382)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital Asset Additions	395,117	
Current Year Depreciation	<u>(431,938)</u>	(36,821)

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

Intergovernmental	<u>190,081</u>	190,081
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 30,000

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

Some expenses reported in the statement of activities, such as compensated absences and accrued benefits, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(386,707)	
Accrued Wages and Benefits	<u>83,199</u>	<u>(303,508)</u>

Change in Net Assets of Governmental Activities (\$247,040)

See accompanying notes.

Washington Court House City School District
Statement of Net Assets
Proprietary Funds
June 30, 2003

	<u>Business-Type Activity Enterprise Funds</u>
Assets:	
Equity in Pooled Cash and Investments	\$80,563
Receivables:	
Accounts	352
Inventory	<u>25,266</u>
Total Current Assets	<u>106,181</u>
Depreciable Capital Assets, Net	<u>36,455</u>
Total Assets	<u>142,636</u>
Liabilities:	
Current Liabilities:	
Accounts Payable	6,389
Accrued Wages and Benefits	48,198
Compensated Absences	437
Interfund Payable	3,818
Deferred Revenue	<u>5,451</u>
Total Current Liabilities	<u>64,293</u>
Long-Term Liabilities:	
Compensated Absences	<u>6,336</u>
Total Liabilities	<u>70,629</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	36,455
Unrestricted (Deficit)	<u>35,552</u>
Total Net Assets	<u><u>\$72,007</u></u>

See accompanying notes.

Washington Court House City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Operating Revenues:	
Tuition and Fees	\$11,657
Charges for Services	380,913
Other Revenues	888
Total Operating Revenues	<u>393,458</u>
Operating Expenses:	
Personal Services	324,863
Contactual Services	30,697
Materials and Supplies	359,866
Depreciation	7,422
Total Operating Expenses	<u>722,848</u>
Operating Income (Loss)	<u>(329,390)</u>
Non-Operating Revenues (Expenses):	
Investment Earnings	560
Donated Commodities	63,380
Operating Grants	303,305
Total Non-Operating Revenues (Expenses)	<u>367,245</u>
Change in Net Assets	37,855
Net Assets Beginning of Year	<u>34,152</u>
Net Assets End of Year	<u><u>\$72,007</u></u>

See accompanying notes.

Washington Court House City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2003

	Business-Type Activity Enterprise Funds
Cash Flows from Operating Activities:	
Cash Received from Customers	\$393,219
Cash Payments to Employees	(329,878)
Cash Payments to Suppliers	(342,735)
Net Cash Provided (Used) by Operating Activities	<u>(279,394)</u>
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	303,305
Payments from Other Funds	10,000
Payments to Other Funds	(6,182)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>307,123</u>
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(7,111)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(7,111)</u>
Cash Flows from Investing Activities:	
Earnings on Investments	560
Net Cash Provided (Used) by Cash Flows from Investing Activities	<u>560</u>
Net Increase (Decrease) in Cash and Cash Equivalents	21,178
Cash and Cash Equivalents Beginning of Year	<u>59,385</u>
Cash and Cash Equivalents End of Year	<u><u>80,563</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(329,390)
Adjustments:	
Depreciation	7,422
Donated Commodities	63,380
Changes in Assets & Liabilities:	
(Increase) Decrease in Receivables	(239)
(Increase) Decrease in Inventory	(3,213)
Increase (Decrease) in Payables	(3,834)
Increase (Decrease) in Accrued Liabilities	(4,804)
Increase (Decrease) in Deferred Revenue	(10,681)
Net Cash Provided (Used) by Operating Activities	<u><u>(\$281,359)</u></u>
Schedule of Noncash Capital Activities:	
During the fiscal year, the Food Service Fund received contributed food commodities valued at	\$63,380

See accompanying notes.

Washington Court House City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	<u>\$335,054</u>	<u>\$26,753</u>
Total Assets	<u>335,054</u>	<u>\$26,753</u>
Liabilities:		
Accounts Payable	33	188
Other Liabilities	<u>0</u>	<u>26,565</u>
Total Liabilities	<u>33</u>	<u>\$26,753</u>
Net Assets:		
Held in Trust for Scholarships	<u>335,021</u>	
Total Net Assets	<u>\$335,021</u>	

See accompanying notes.

Washington Court House City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2003

	Private Purpose Trust
Additions:	
Donations	\$147,420
Investment Earnings	3,944
Total Additions	<u>151,364</u>
Deductions:	
Scholarships	42,401
Total Deductions	<u>42,401</u>
Change in Net Assets	108,963
Net Assets Beginning of Year	<u>226,058</u>
Net Assets End of Year	<u><u>\$335,021</u></u>

See accompanying notes.

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2003

1. DESCRIPTION OF THE DISTRICT

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

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

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

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

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

REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

MEASUREMENT FOCUS

Government-wide Financial Statements

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

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

Fund Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Fiduciary Funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

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

Governmental Funds

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

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

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

Proprietary Fund

Proprietary fund reporting focuses on the determination of operating income changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the District has no internal service funds.

Enterprise Funds – The enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Fiduciary Funds

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

3. BASIS OF ACCOUNTING

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

Revenues – Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

CASH AND CASH EQUIVALENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. The District utilizes a financial institution to service bonded debt as principal and interest payments come due. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent". The account on the combined balance sheet "Cash with fiscal and escrow agents" represents deposits used to pay arbitrage liability.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposits and repurchase agreements are reported at cost.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2003.

Following Ohio statutes, the Board has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue during fiscal year 2003 amounted to \$36,939.

For purposes of the statement of cash flows, the Enterprise Funds' portion of pooled cash and investments is considered a cash equivalent because the District is able to withdraw resources from the enterprise funds without prior notice or penalty.

INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

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

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time, when earned, for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination payment 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 District's past experience of making termination payments.

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

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

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

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

NET ASSETS

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

OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are sales for food service, adult education and community school. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

INTERFUND ACTIVITY

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

FUND EQUITY

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

CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2003, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 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 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.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparisons for the general and each major special revenue fund. The government-wide financial statements split the District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the Enterprise Funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003.

RESTATEMENT OF FUND BALANCE

The implementation of these statements had the following effects on fund balance of the major and non-major funds of the District as they were previously reported. The transition from governmental fund balances to net assets of the governmental activities is also presented.

	<u>General</u>	<u>Permanent Improvement</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2002	\$513,691	\$261,955	\$527,271	\$1,302,917
Fund Reclassification	<u>0</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
Adjusted Fund Balances, June 30, 2002	<u>\$513,691</u>	<u>\$261,954</u>	<u>\$527,269</u>	\$1,302,914
GASB 34 Adjustments:				
Capital Assets				\$4,038,655
Accrued Interest Payable				(5,408)
Compensated Absences Payable				(137,152)
Accrued Wages and Benefits				(83,199)
Long Term Liabilities				<u>(275,000)</u>
Governmental Activities Net Assets, June 30, 2002				<u>\$4,840,810</u>

At June 30, 2002, fixed assets were restated in the Enterprise Funds. This restatement had the following effect on fund equity as it was previously reported:

	<u>Enterprise Funds</u>
Fund Equity June 30, 2002	\$32,189
Capital Assets	<u>1,963</u>
Adjusted Net Assets, June 30, 2002	<u>\$34,152</u>

4. CASH AND CASH EQUIVALENTS

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

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

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

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

Interim Monies – Those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Ohio law permits interim monies to be invested or deposited in the following securities:

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits – At the year end, the carrying amount of the District's deposits was (\$13,352). The bank balance of deposits was \$176,269 of which \$100,000 was covered by federal depository insurance. The remaining balance of \$76,269 was covered by 110% public depository pool, which was collateralized with securities held by the pledging financial institution's trust department but not in the District's name.

Investments – The District's investments are categorized to give an indication of the level of risk assumed by the entity at year end (GASB Statement 3):

- Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its department or agent, but not in the District's name.

Based on the above criteria, the District's investments at year-end are classified as follows:

<u>Description</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Carrying Amount/ Fair Value</u>
Repurchase Agreement	\$0	\$0	\$2,152,065	\$2,152,065

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

5. PROPERTY TAXES

Real property taxes collected in 2003 were levied in April on the assessed values as of January 1, 2002, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update ever third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). In 2003, each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

Real property taxes are payable annually or semi-annually. In 2003, if paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2003. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2003. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. The receivable is, therefore, offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2003, was \$889,157 for General Fund and \$82,599 for Capital Projects, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2003 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$165,125,240
Public Utility Personal	5,303,070
Tangible Personal Property	<u>29,844,270</u>
Total	<u>\$200,272,580</u>

6. RECEIVABLES

Receivables at June 30, 2003, consisted of taxes, accounts (rent and student fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Government Activities				
Land	\$383,734	\$0	\$0	\$383,734
Buildings and Improvements	2,771,509	156,389	0	2,927,898
Equipment	<u>5,225,973</u>	<u>238,727</u>	<u>14,479</u>	<u>5,450,221</u>
Totals at Historical Cost	<u>\$8,381,216</u>	<u>\$395,116</u>	<u>\$14,479</u>	<u>\$8,761,853</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$513,390	\$171,536	\$0	\$684,926
Equipment	<u>3,829,171</u>	<u>260,401</u>	<u>14,479</u>	<u>4,075,093</u>
Total Accumulated Depreciation	<u>\$4,342,561</u>	<u>\$431,937</u>	<u>\$14,479</u>	<u>\$4,760,019</u>
Governmental Activities Capital Assets, Net	<u>\$4,038,655</u>	<u>(\$36,821)</u>	<u>\$0</u>	<u>\$4,001,834</u>
Business-Type Activities				
Equipment	<u>\$228,262</u>	<u>\$1,791</u>	<u>\$0</u>	<u>\$230,053</u>
Total at Historical Cost	<u>\$228,262</u>	<u>\$1,791</u>	<u>\$0</u>	<u>\$230,053</u>
Less Accumulated Depreciation:				
Equipment	<u>\$186,176</u>	<u>\$7,422</u>	<u>\$0</u>	<u>\$193,598</u>
Total Accumulated Depreciation	<u>\$186,176</u>	<u>\$7,422</u>	<u>\$0</u>	<u>\$193,598</u>
Business-Type Activities Capital Assets, Net	<u>\$42,086</u>	<u>(\$5,631)</u>	<u>\$0</u>	<u>\$36,455</u>

*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$221,603
Special	23,181
Vocational	815
Other	1,532
Support Services:	
Pupil	12,793
Instructional Staff	26,563
General Administration	9
School Administration	4,862
Fiscal	238
Operations and Maintenance	41,400
Pupil Transportation	57,766
Central	13,088
Extracurricular Activities	<u>28,087</u>
Total Depreciation Expense	<u>\$431,937</u>

8. NOTES PAYABLE

During the year ended June 30, 2003, the following changes occurred in short-term notes payable.

	<u>Balance</u> <u>Beginning of Year</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>End of Year</u>
Notes Payable	\$125,000	\$100,000	\$125,000	\$100,000

9. LONG-TERM LIABILITIES

	<u>Maturity</u> <u>Dates</u>	<u>Beginning</u> <u>Principal</u> <u>Outstanding</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u> <u>Principal</u> <u>Outstanding</u>	<u>Due In</u> <u>One Year</u>
<u>Governmental Activities:</u>						
School Improvement 2000 5.90%	9/01/09	\$275,000	\$ 0	\$30,000	\$245,000	\$30,000
Compensated Absences		<u>137,152</u>	<u>333,633</u>	<u>0</u>	<u>470,785</u>	<u>113,194</u>
Total Governmental Activities Long-Term Liabilities		<u>\$412,152</u>	<u>\$333,633</u>	<u>\$30,000</u>	<u>\$715,785</u>	<u>\$143,194</u>
<u>Business-Type Activities</u>						
Compensated Absences		<u>\$3,179</u>	<u>\$3,594</u>	<u>\$0</u>	<u>\$6,773</u>	<u>\$437</u>

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

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

<u>General Obligation Bonds</u>			
Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$30,000	\$13,570	\$43,570
2005	30,000	11,800	41,800
2006	35,000	9,883	44,883
2007	35,000	7,818	42,818
2008	55,000	5,458	60,458
2009	<u>60,000</u>	<u>5,015</u>	<u>65,015</u>
Totals	<u>\$245,000</u>	<u>\$53,544</u>	<u>\$298,544</u>

10. PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 9% of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17% of annual covered salary was the portion being used to fund pension obligations. For fiscal year 2002, 5.46% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$304,476, \$317,820, and \$288,438 respectively; 47.5% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

STATE TEACHERS RETIREMENT SYSTEM

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

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

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

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

The District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$1,047,300, \$1,000,596, and \$963,708 respectively; 82.7% has been contributed for fiscal year 2003 and 100% for fiscal year 2002 and 2001.

11. POST EMPLOYMENT BENEFITS

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. The Board currently allocates employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the District, this amount equaled \$336,632 during the 2003 fiscal year. As of July 1, 2003, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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% of the premium.

For 2002 fiscal year, employer contributions to fund health care benefits were 8.54% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14% employer contribution rate provides for maintenance of the asset target level for the health care fund. For the District, this amount equaled \$185,730 during the 2003 fiscal year. The number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777.

12. CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2003.

LITIGATION

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

13. RISK MANAGEMENT

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

General Liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$3,000,000 in the general aggregate. Other liability insurance includes \$2,000,000 for automobile liability, and \$2,000,000 uninsured motorist coverage.

In addition, the District maintains replacement cost insurance on buildings and contents in the blanket amount of \$33,688,800.

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

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

14. JOINTLY GOVERNED ORGANIZATIONS

The Miami Valley Educational Computer Association (MVECA) is a governmental joint venture consisting of 27 school districts. The joint organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member's school districts. The degree of control exercised by any participating school district is limited to its representation on the board.

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

15. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

16. ACCOUNTABILITY

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

<u>Fund</u>	<u>Deficit</u>
Special Revenue Funds:	
Disadvantaged Pupil Impact Aid	\$1,714
Title I	17,669
Title V	5,659
IDEA Preschool	11,647
Proprietary Funds:	
Special Enterprise	4,734

17. FUND BALANCE RESERVES FOR SET-ASIDES

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

For fiscal year ended June 30, 2003, the School District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Reserve (Carry Forward) Balance as of June 30, 2002	(\$178,441)	\$ 0
Current Year Set-aside Requirement	315,350	315,350
Qualified Disbursements	(358,434)	0
Current Year Offsets	<u>0</u>	<u>(315,350)</u>
Total Set-Aside Reserve Balance as of June 30, 2003	<u>(\$221,525)</u>	<u>\$ 0</u>
Carry Forward to FY 2004	<u>(\$221,525)</u>	

Offset credits for capital activity during the year exceeded the amount required for the set-aside. Qualifying disbursements and carryover from prior years for textbooks totaled \$178,441, resulting in \$221,525 for carryover to offset textbook requirements in future years.

18. INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2003, consisted of the following individual fund receivables and payables:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$79,220	
Special Revenue Fund:		
Special Education		\$3,647
Title I		55,856
Title V		1,980
Drug-Free Schools		1,932
IDEA Preschools		11,987
Enterprise Fund:		
Special Enterprise	<u> </u>	<u>3,818</u>
	<u>\$79,220</u>	<u>\$79,220</u>

During the year ended June 30, 2003, the General Fund transferred \$72,000 to the Debt Service Fund. These transfers were made to move unrestricted balances to repay general obligation bonds. Also during the year ended June 30, 2003, Fund 514, Eisenhower Grant, transferred \$8,639 and Fund 599, Title VI-R, transferred \$2,760 to Fund 590, Title II-A. The transfers were due to changes in grant classifications and used to support programs and projects accounted for in Title II-A.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Washington Court House City School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2003

	General Fund			Variance from Final Budget
	Original Budget	Final Budget	Actual	
Revenues:				
Taxes	\$4,516,712	\$4,060,529	\$4,065,762	\$5,233
Tuition and Fees	59,998	53,404	54,008	604
Interest	25,270	24,550	22,747	(1,803)
Intergovernmental	10,107,133	9,225,387	9,098,033	(127,354)
Other Revenues	85,283	74,186	76,768	2,582
Total Revenues	14,794,396	13,438,056	13,317,318	(120,738)
Expenditures:				
Current:				
Instruction:				
Regular	6,872,622	6,823,068	6,715,035	108,033
Special	1,502,220	1,542,400	1,467,775	74,625
Vocational	69,126	67,542	67,541	1
Other	155,291	151,730	151,730	0
Support Services:				
Pupil	620,506	615,644	606,278	9,366
Instructional Staff	630,093	638,414	615,645	22,769
General Administration	15,369	15,017	15,017	0
School Administration	1,085,440	1,065,679	1,060,551	5,128
Fiscal	421,062	411,457	411,407	50
Operations and Maintenance	1,449,055	1,435,379	1,415,829	19,550
Pupil Transportation	484,619	510,757	473,507	37,250
Central	47,141	46,060	46,060	0
Community Services	3,716	3,631	3,631	0
Extracurricular Activities	360,407	353,115	352,143	972
Capital Outlay	130,314	205,464	127,326	78,138
Total Expenditures	13,846,981	13,885,357	13,529,475	355,882
Excess of Revenues Over (Under) Expenditures	947,415	(447,301)	(212,157)	235,144
Other financing sources (uses):				
Proceeds from Sale of Fixed Assets	278	250	250	0
Proceeds of Bonds and Notes	0	100,000	0	(100,000)
Advances In	29,086	26,182	26,182	0
Advances (Out)	(107,877)	(105,403)	(105,403)	0
Transfers In	111,091	125,000	100,000	(25,000)
Transfers (Out)	(176,036)	(172,000)	(172,000)	0
Total Other Financing Sources (Uses)	(143,458)	(25,971)	(150,971)	(125,000)
Net Change in Fund Balance	803,957	(473,272)	(363,128)	110,144
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	808,004	808,004	808,004	0
Fund Balance End of Year	\$1,611,961	\$334,732	\$444,876	\$110,144

See accompanying notes to required supplementary information.

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For The Year Ended June 30, 2003

1. BUDGETARY PROCESS

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2003.

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

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

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

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	(\$236,788)
Net Adjustment for Revenue Accruals	461,975
Net Adjustment for Expenditure Accruals	(222,985)
Encumbrances	<u>(365,330)</u>
Budget Basis	<u>(\$363,128)</u>

WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY, OHIO

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

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550	\$0	\$85,081	\$0	\$85,081
National School Lunch Program	LLP4-2002 LLP4-2003	10.555	243,611	0	243,611	0
National School Breakfast Program	05-PU-2002 05-PU-2003	10.553	42,587	0	42,587	0
Total Nutrition Cluster			286,198	85,081	286,198	85,081
Total U.S. Department of Agriculture			286,198	85,081	286,198	85,081
<u>U.S. Department of Federal Emergency Management Agency</u>						
<i>Passed Through Ohio Emergency Management Agency</i>						
Public Assistance Grant (snow removal)	047-U2QTL-00	83.544	842	0	842	0
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Cluster:						
Special Education Grants to States (IDEA Part B)	6B-SF-2002 6B-SF-2003	84.027	114,864	0	162,986	0
Handicapped Preschool	PG-S1-2003	84.173	7,832	0	23,208	0
Total Special Education Cluster			122,696	0	186,194	0
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-2002 C1-S1-2003	84.010	363,751	0	527,880	0
Innovative Educational Program Strategies	C2-S1-2003	84.298	12,854	0	19,041	0
Eishenhower Professional Development Grant	MS-S1-2002	84.281	0	0	3,771	0
Class Size Reduction (Title VI R)	CR-S1-2002	84.340	17,113	0	18,774	0
School Renovation, IDEA and Technology A.T.I.P.	AT-S1-2001 AT-S2-2002 AT-S3-2002 AT-S4-2002	84.352A	30,221	0	24,972	0
Virtual Learning	TJ-S1-2003	84.318	13,333	0	12,000	0
Drug-Free Schools Grant	DR-S1-2003	84.186	2,525	0	12,698	0
Improving Teacher Quality Title II A	TR-S1-2003	84.367	82,920	0	82,600	0
Total Department of Education			645,413	0	887,930	0
<u>U.S. Office of Library Services</u>						
<i>Passed Through State Library of Ohio:</i>						
LSTA Lib. Auto. Grant	N/A	45.310	26,160	0	23,762	0
Total Office of Library Services			26,160	0	23,762	0
<u>U.S. DEPARTMENT OF MENTAL RETARDATION and DEVELOPMENTAL DISABILITIES</u>						
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Community Alternative Fund System (CAFS)	N/A	93.778	16,792	0	16,792	0
Total Department of Mental Retardation and Developmental Disabilities			16,792	0	16,792	0
Totals			975,406	85,081	1,215,524	85,081

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

**WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—CHILD NUTRITION CLUSTER

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

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



Auditor of State Betty Montgomery

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

Washington Courthouse City School District
Fayette County
P.O. Box 520
Washington Courthouse, Ohio 43160

To the Board of Education:

We have audited the financial statements of the Washington Courthouse City School District, Fayette County, Ohio (the District), as of and for the year ended June 30, 2003, and have issued our report thereon dated March 22, 2004, which indicated that the District had implemented a new financial reporting model, as required by Governmental Accounting Standards Board (GASB) Statement No. 34 GASB Statement No. 37, GASB Statement No. 38, GASB Statement No. 41, and Interpretation No. 6. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Washington Courthouse City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 22, 2004.

Washington Courthouse City School District
Fayette County
Independent Accountants' Report on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

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

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

Betty Montgomery
Auditor of State

March 22, 2004



Auditor of State Betty Montgomery

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

Washington Courthouse City School District
Fayette County
P.O. Box 520
Washington Courthouse, Ohio 43160

To the Board of Education:

Compliance

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

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

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

Internal Control Over Compliance

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

Washington Court House City School District
Fayette County
Independent Accountants' Report on Compliance with Requirements
Applicable to Major Federal Programs and Internal Controls
over Compliance in Accordance with OMB Circular A-133
Page 2

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

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



Betty Montgomery
Auditor of State

March 22, 2004

**WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY**

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

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

WASHINGTON COURTHOUSE CITY SCHOOL DISTRICT

FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2004**