



**Auditor of State
Betty Montgomery**

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds ...	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) – General Fund	19
Statement of Fiduciary Net Assets – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	21
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Receipts and Expenditures.....	59
Notes to the Schedule of Federal Awards Receipts and Expenditures.....	60
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	61
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with OMB Circular A-133	63
Schedule of Findings – <i>OMB Circular A-133 § .505</i>	65

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Washington-Nile Local School District
Scioto County
15332 U.S. Highway 52
West Portsmouth, Ohio 45663

To The Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2002, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, as of June 30, 2002, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. Also, as mentioned in Note 3, during the year ended June 30, 2002, the School District adopted GASB Statements 37 and 38 and Interpretation 6.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2003, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

March 28, 2003

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The discussion and analysis of the Washington-Nile Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local 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 School Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- ❑ Net assets of governmental activities increased \$3,522,136 which represents a 14 percent increase from 2001. The increase is the result of the construction of the high school athletic complex and monies received for the renovation of facilities under the Ohio School Facilities Commission grant.
- ❑ General revenues accounted for \$11,929,241 or 73 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants, contributions, and interest accounted for \$4,358,106 or 27 percent of total revenues of \$16,287,347.
- ❑ Total assets of governmental activities increased by \$3,469,261. Capital assets increased by \$933,325 due to the construction of the high school athletic complex and the starting phase of facilities renovation under the Ohio School Facilities Commission grant. Cash increased \$971,288 due to increases in state foundation funding while receivables and other assets increased \$1,564,648 due primarily to the renovation of school facilities under the Ohio School Facilities grant.
- ❑ The School District had \$12,765,211 in expenses related to governmental activities; only \$4,358,106 of these expenses were offset by program specific charges for services, grants, contributions, or interest. General revenues (primarily grants and entitlements and property taxes) of \$11,929,241 were adequate to provide for the remaining cost of these programs.

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Using these General Purpose External Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Washington-Nile Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

One of the most important questions asked about the School District is "How did we do financially during 2002?" The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, legislation affecting the calculation of the state foundation, facility conditions, required educational programs and other factors.

In the *Statement of Net Assets* and the *Statement of Activities*, the School District has only one kind of activity:

- Government Activities - All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service.

*Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's major funds.

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

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

The School District as a Whole

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

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Table 1 provides a summary of the School District's net assets for fiscal years 2001 and 2002:

(Table 1)
Net Assets
Governmental Activities

	2002	Restated 2001
Assets		
Current and Other Assets	\$8,450,179	\$5,914,243
Capital Assets	26,524,284	25,590,959
Total Assets	34,974,463	31,505,202
Liabilities		
Long-Term Liabilities	3,621,874	3,929,037
Other Liabilities	2,510,909	2,256,621
Total Liabilities	6,132,783	6,185,658
Net Assets		
Invested in Capital Assets,		
Net of Related Debt	23,465,926	23,764,509
Restricted	3,986,594	619,699
Unrestricted	1,389,160	935,336
Total Net Assets	\$28,841,680	\$25,319,544

Total assets increased \$3,469,261. Equity in pooled cash and cash equivalents increased \$971,288 due to the receipt of Ohio School Facilities Commission grant monies and loan proceeds for the athletic complex. Capital Assets increased by \$933,325 due to the construction of the high school athletic complex and the starting phase of facilities renovation under the Ohio School Facilities Commission grant.

Table 2 shows the changes in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparison to fiscal year 2001 are not available. In future years, a comparative analysis of government-wide data will be presented.

*Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

(Table 2)
Change in Net Assets
Governmental Activities

	2002
Revenues	
Program Revenues:	
Charges for Services	\$1,362,373
Operating Grants, Contributions, and Interest	2,855,403
Capital Grants and Contributions	140,330
Total Program Revenues	4,358,106
General Revenues:	
Property Taxes	1,335,507
Grants and Entitlements not Restricted to Specific Programs	10,435,501
Contributions and Donations	1,637
Investment Earnings	130,211
Miscellaneous	26,385
Total General Revenues	11,929,241
Total Revenues	16,287,347
 Program Expenses	
Instruction	
Regular	5,483,708
Special	1,559,687
Vocational	88,312
Support Services	
Pupils	959,506
Instructional Staff	717,323
Board of Education	61,127
Administration	849,741
Fiscal	222,460
Operation and Maintenance of Plant	993,088
Pupil Transportation	737,309
Operation of Non-Instructional Services	632,377
Extracurricular Activities	276,541
Interest and Fiscal Charges	149,032
Intergovernmental	35,000
Total Expenses	12,765,211
Increase in Net Assets	\$3,522,136

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

Grants and Entitlements not Restricted to Specific Programs made up 64 percent of the total revenue for governmental activities of the Washington-Nile Local School District for fiscal year 2002. Property Tax revenue made up 8 percent of the total revenue for governmental activities for a total of 72 percent of all revenue coming from property taxes, grants, and entitlements.

Regular instruction made up 43 percent of governmental program expenses. Support services expenses made up 36 percent of governmental program expenses.

The Statement of Activities shows the cost of program services and the charges for services and grants, including interest, offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, the net cost of these services is supported by tax revenue and unrestricted State entitlements. Comparisons to 2001 have not been made since they are not available.

(Table 3)
Governmental Activities

	Total Cost	Net Cost
	of Services	of Services
	2002	2002
Instruction	\$7,131,707	\$4,279,842
Support Services	4,540,554	3,878,258
Operation of Non-		
Instructional Services	632,377	20,510
Extracurricular Activities	276,541	79,463
Interest and Fiscal Charges	149,032	149,032
Intergovernmental	35,000	0
Total Expenses	\$12,765,211	\$8,407,105

The School District's Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$ 13,866,855 and expenditures of \$14,078,661. The net change in fund balance for the year was most significant in the Building fund, which decreased by \$1,513,580. This is due to the construction of the high school athletic complex facilitated through a lease purchase agreement. (See Note 13)

The General Fund balance increased by \$581,260. This increase was primarily due to an increase in state funding. The State of Ohio increased the basic student aid by \$520 per student enrolled and initiated Parity Aid funding in the amount of \$262,188 to be used for new educational programs. The district was able to add four teachers to the educational program in the areas of middle school science, elementary art, high school English and high school math.

*Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

General Fund - Budget Highlights

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

During the course of fiscal year 2002 the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures.

For the general fund, budget basis revenue was \$10,316,330 with original budget estimates of \$9,981,721. The difference of \$334,609 was due primarily to the receipt of property taxes above the Scioto County Auditor's tax estimate. Budget basis expenditures were \$9,501,714 with original budget estimates of \$9,883,667. The difference of \$381,953 is due primarily to a decrease in actual salaries and fringe benefits paid. Salary increases and vision insurance were budgeted but the Washington Local Classroom Teachers Association, OEA did not settle until March, 2002, resulting in the loss of additional salary and insurance coverage to the membership that was budgeted and the district did not have to pay out.

The School District's ending unobligated cash balance was \$5,494 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002, the School District had \$26,524,284 invested in land, construction in progress, buildings and improvements, furniture and equipment, vehicles, and textbooks and software. Table 4 shows fiscal year 2002 balances compared to 2001:

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

	2002	2001
Land	\$1,708,959	\$1,693,659
Construction in Progress	\$1,644,922	\$84,300
Buildings and Improvements	20,300,869	20,676,148
Furniture and Equipment	2,199,741	2,415,398
Vehicles	471,213	497,927
Textbooks and Software	198,580	223,527
Totals	\$26,524,284	\$25,590,959

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

The primary increase occurred in construction in progress. This was due to the construction of the high school athletic complex and the starting phase of facilities renovation under the Ohio School Facilities Commission grant.

Debt

At June 30, 2002 the School District had a \$45,155 EPA Asbestos loan outstanding, of which \$5,312 is due within one year. The School District had \$1,605,130 in bonds outstanding, of which \$105,000 was due within one year. The School District also had a premium and discount outstanding on the debt issue of \$133,660 and \$874, respectively, of which \$14,989 and \$109 was all due within one year. The School District also had a \$128,150 H. B. 264 Promissory Note outstanding, of which \$23,300 is due within one year as well as a \$1,340,266 capital lease outstanding, of which \$123,499 is due within one year. Table 5 summarizes the debt outstanding:

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

	2002	2001
1992 EPA Asbestos Loan	\$45,155	\$50,467
1994 General Obligation Bonds	145,000	1,675,000
2001 General Obligation Bonds		
Serial Bonds	1,335,000	0
Original Issue Capital Appreciation Bonds	109,942	0
Accretion on Capital Appreciation Bonds	15,188	0
Premium on Debt Issue	133,660	0
Discount on Debt Issue	(874)	0
Deferred Loss on Early Retirement	(94,507)	0
H. B. 264 Promissory Note	128,150	151,450
Capital Leases	1,340,266	1,500,000
Totals	\$3,156,980	\$3,376,917

EPA Asbestos Loan - In 1993 Washington-Nile Local School District obtained a loan in the amount of \$95,619 for the purpose of providing asbestos removal. The loan was issued for an eighteen year period with final maturity during fiscal year 2011.

1994 Classroom Facilities Bonds - In 1994, the school District issued \$2,032,351 in voted general obligation bonds for the purpose of constructing a new high school and elementary school, with renovations to the middle school. The bonds were issued for a twenty-three year period with final maturity at December 1, 2016. Bonds with a maturity of 2004 through 2016 were advance refunded. During the fiscal year, \$65,000 in principal was repaid before the bonds were refunded. Non-callable bonds in the amount of \$145,000 were left outstanding.

Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited

2001 Classroom Facilities Bonds - On July 1, 2001, the District issued \$1,464,942 in General Obligation Bonds to advance refund \$1,465,000 of outstanding 1994 Classroom Facilities General Obligation Bonds. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013.

The total outstanding bond value of the advance refunding as of fiscal year-end 2002 was \$1,460,130. The total bond value at final maturity will be \$1,760,000.

1997 Promissory Note H. B. 264 - On July 23, 1997, the School District issued a ten year \$233,000 note for the purpose of implementing energy conservation measures under the provisions of H.B. 264 at the middle school.

The School District's overall legal debt margin was \$3,741,831 with an unvoted debt margin of \$58,699, and an Energy Conservation debt margin of \$483,132 at June 30, 2002.

Current Issues

The Washington-Nile Local School was created in 1939 by the merger of three township school systems. The School District is located in a very low wealth area in Scioto County. The School District is rated the 9th lowest out of 612 school districts in property valuation per pupil in the State of Ohio. 17.5 percent of the district's students receive Ohio Works First aid. The State of Ohio provides the majority of the funding received by the School District. Student enrollment of 1,732 has decreased slightly over the past year.

The Ohio Department of Education evaluates the district's educational progress through a report card. The Department of Education has created a point indicator system based upon the results of the district students' proficiency tests in the 4th, 6th, and 9th grades. The report card also evaluates the district student attendance rate and graduation rate. The district's rating for 2002 was Continuous Improvement. The district met 16 of the 22 indicators. This district rating by law, restricts state funding in the areas of Parity Aid and Disadvantaged Pupil Impact Aid. This year \$1,072,394 of state funding was restricted due to the district's Continuous Improvement status. These funds must be used in programs designated by the Department of Education to improve the district's educational program.

The School District is in the process of completing the construction of the high school athletic complex at the projected cost of \$1,700,000. The project entails the construction of stadium seating, field lighting and concession/restroom facilities. The project was funded by entering into a ten year lease in the amount of \$1,500,000 with Oak Hill Banks and transferring \$200,000 from the general fund. The lease will be paid from the debt service fund.

*Washington-Nile Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2002
Unaudited*

The High School and Elementary Schools were constructed in 1998 under the Department of Education Classroom Facilities Grant and the Middle School was constructed in 1969 under the same program. Presently the district has been awarded a grant under the Ohio School Facilities Commission in the amount of \$2,775,928 for renovation work at the Middle School. The 2% local share of the project in the amount of \$56,652 has been matched out of the General Fund making the total projected project cost at \$2,832,580.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional information contact Karen Ballengee, Treasurer at Washington-Nile Local School District, 15332 U. S. Hwy 52, West Portsmouth, Ohio 45663 or e-mail at kballengee@west.k12.oh.us.

Washington-Nile Local School District
Statement of Net Assets
June 30, 2002

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,395,072
Materials and Supplies Inventory	45,390
Accrued Interest Receivable	36,959
Accounts Receivable	21,619
Intergovernmental Receivable	2,671,518
Prepaid Items	28,834
Taxes Receivable	1,217,300
Deferred Charges	33,487
Capital Assets:	
Land and Construction in Progress	3,353,881
Depreciable Capital Assets, Net	23,170,403
<i>Total Assets</i>	34,974,463
<u>Liabilities:</u>	
Accounts Payable	132,692
Contracts Payable	119,660
Accrued Wages and Benefits Payable	942,357
Intergovernmental Payable	308,451
Accrued Interest Payable	8,692
Retainage Payable	31,001
Matured Compensated Absences Payable	26,463
Deferred Revenue	941,593
Long-Term Liabilities:	
Due Within One Year	305,556
Due Within More Than One Year	3,316,318
<i>Total Liabilities</i>	6,132,783
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	23,465,926
Restricted for:	
Debt Service	193,052
Capital Projects	2,938,165
Other Purposes	855,377
Unrestricted	1,389,160
<i>Total Net Assets</i>	\$28,841,680

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2002

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest		Capital Grants and Contributions
Governmental Activities	Governmental Activities				
Instruction:					
Regular	\$5,483,708	\$835,926	\$1,120,701	\$0	(\$3,527,081)
Special	1,559,687	2,375	892,863	0	(664,449)
Vocational	88,312	0	0	0	(88,312)
Support Services:					
Pupil	959,506	0	258,201	79,278	(622,027)
Instructional Staff	717,323	0	210,460	0	(506,863)
Board of Education	61,127	0	0	0	(61,127)
Administration	849,741	0	7,000	0	(842,741)
Fiscal	222,460	0	0	0	(222,460)
Operation and Maintenance of Plant	993,088	8,097	22,074	0	(962,917)
Pupil Transportation	737,309	16,134	0	61,052	(660,123)
Operation of Non-Instructional Services:					
Food Services	632,377	302,763	309,104	0	(20,510)
Extracurricular Activities	276,541	197,078	0	0	(79,463)
Interest and Fiscal Charges	149,032	0	0	0	(149,032)
Intergovernmental	35,000	0	35,000	0	0
Total Governmental Activities	\$12,765,211	\$1,362,373	\$2,855,403	\$140,330	(8,407,105)

General Revenues

Property Taxes Levied for General Purposes	1,335,507
Grants and Entitlements not Restricted to Specific Programs:	
Operating	7,659,573
Capital	2,775,928
Contributions and Donations	1,637
Investment Earnings	130,211
Miscellaneous	26,385
Total General Revenues	11,929,241
Change in Net Assets	3,522,136
Net Assets Beginning of Year - See Note 3	25,319,544
Net Assets End of Year	\$28,841,680

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Balance Sheet
Governmental Funds
June 30, 2002

	General	Building	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$2,476,394	\$211,006	\$354,105	\$1,182,514	\$4,224,019
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	142,866	28,187	0	0	171,053
Receivables:					
Taxes	1,035,123	0	0	182,177	1,217,300
Accounts	16,031	0	0	5,588	21,619
Intergovernmental	27,583	0	2,443,737	200,198	2,671,518
Accrued Interest	34,753	161	0	2,045	36,959
Prepaid Items	28,154	0	0	680	28,834
Materials and Supplies Inventory	36,577	0	0	8,813	45,390
<i>Total Assets</i>	<u>\$3,797,481</u>	<u>\$239,354</u>	<u>\$2,797,842</u>	<u>\$1,582,015</u>	<u>\$8,416,692</u>
<u>Liabilities:</u>					
Accounts Payable	\$65,277	\$0	\$1,708	\$65,707	\$132,692
Contracts Payable	0	119,660	0	0	119,660
Retainage Payable	0	31,001	0	0	31,001
Accrued Wages and Benefits Payable	702,532	0	0	239,825	942,357
Intergovernmental Payable	181,336	0	0	49,198	230,534
Matured Compensated Absences Payable	26,463	0	0	0	26,463
Deferred Revenue	902,616	0	2,438,622	296,997	3,638,235
<i>Total Liabilities</i>	<u>1,878,224</u>	<u>150,661</u>	<u>2,440,330</u>	<u>651,727</u>	<u>5,120,942</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	237,329	80,976	294,433	81,804	694,542
Reserved for Property Taxes	136,419	0	0	26,868	163,287
Reserved for Textbooks and Instructional Materials	34,824	0	0	0	34,824
Reserved for Parity Aid	41,861	0	0	0	41,861
Reserved for Bus Purchases	66,181	0	0	0	66,181
Unreserved, Undesignated, Reported in:					
General Fund	1,402,643	0	0	0	1,402,643
Special Revenue Funds	0	0	0	615,273	615,273
Debt Service Fund	0	0	0	153,185	153,185
Capital Projects Funds	0	7,717	63,079	53,158	123,954
<i>Total Fund Balances</i>	<u>1,919,257</u>	<u>88,693</u>	<u>357,512</u>	<u>930,288</u>	<u>3,295,750</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$3,797,481</u>	<u>\$239,354</u>	<u>\$2,797,842</u>	<u>\$1,582,015</u>	<u>\$8,416,692</u>

See accompanying notes to the basic financial statements

Washington-Nile Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2002*

Total Governmental Fund Balances \$3,295,750

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

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

Land	1,708,959	
Construction in progress	1,644,922	
Other capital assets	30,251,775	
Accumulated depreciation	<u>(7,081,372)</u>	
Total capital assets		26,524,284

Some of the School District's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Delinquent property taxes	112,420	
Intergovernmental	2,578,265	
Interest	<u>5,957</u>	
		2,696,642

Intergovernmental Payable includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds. (77,917)

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 33,487

Amortization of the deferred loss on early retirement is not reported in the funds, but is allocated as an expense over life of the debt on a full accrual basis. 94,507

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

School Improvement Bonds payable	(145,000)	
School Improvement Refunding bonds payable	(1,460,130)	
EPA Assistance Asbestos Note payable	(45,155)	
Promissory Note - H.B. 264	(128,150)	
Bond Premium	(133,660)	
Bond Discount	874	
Accrued interest	(8,692)	
Capital leases	(1,340,266)	
Compensated absences	<u>(464,894)</u>	
Total liabilities		<u>(3,725,073)</u>

Net Assets of Governmental Activities \$28,841,680

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Fiscal Year Ended June 30, 2002

	General	Building	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$1,102,978	\$0	\$0	\$210,850	\$1,313,828
Intergovernmental	8,261,697	0	337,306	2,439,355	11,038,358
Interest	107,618	14,332	1,329	995	124,274
Tuition and Fees	854,435	0	0	0	854,435
Extracurricular Activities	0	0	0	197,078	197,078
Customer Sales and Service	8,097	0	0	302,763	310,860
Contributions and Donations	0	0	0	1,637	1,637
Miscellaneous	20,448	5,000	0	937	26,385
Total Revenues	10,355,273	19,332	338,635	3,153,615	13,866,855
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	4,390,101	0	0	754,416	5,144,517
Special	747,079	0	0	754,914	1,501,993
Vocational	79,445	0	0	0	79,445
Support Services:					
Pupils	571,017	0	0	349,736	920,753
Instructional Staff	423,323	0	0	232,929	656,252
Board of Education	61,287	0	0	0	61,287
Administration	878,774	0	0	13,893	892,667
Fiscal	216,860	0	0	0	216,860
Operation and Maintenance of Plant	940,338	0	0	34,715	975,053
Pupil Transportation	665,536	0	0	6,288	671,824
Operation of Non-Instructional Services					
Food Service Operations	112	0	0	585,777	585,889
Extracurricular Activities	98,932	0	0	173,155	272,087
Capital Outlay	17,769	1,532,912	37,775	25,944	1,614,400
Debt Service:					
Principal Retirement	0	0	0	273,346	273,346
Interest and Fiscal Charges	0	0	0	141,568	141,568
Issuance Costs	0	0	0	35,720	35,720
Intergovernmental	35,000	0	0	0	35,000
Total Expenditures	9,125,573	1,532,912	37,775	3,382,401	14,078,661
Excess of Revenues Over (Under) Expenditures	1,229,700	(1,513,580)	300,860	(228,786)	(211,806)
<u>Other Financing Sources (Uses):</u>					
Proceeds from Sale of Refunding Bonds	0	0	0	1,464,942	1,464,942
Premium on Debt Issuance	0	0	0	148,649	148,649
Discount on Debt Issuance	0	0	0	(983)	(983)
Payment to Refunded Bond Escrow Account	0	0	0	(1,568,098)	(1,568,098)
Transfers In	0	100,000	56,652	491,788	648,440
Transfers Out	(648,440)	0	0	0	(648,440)
Total Other Financing Sources (Uses)	(648,440)	100,000	56,652	536,298	44,510
Net Change in Fund Balances	581,260	(1,413,580)	357,512	307,512	(167,296)
Fund Balances Beginning of Year - Restated (Note 3)	1,337,997	1,502,273	0	622,776	3,463,046
Fund Balances End of Year	\$1,919,257	\$88,693	\$357,512	\$930,288	\$3,295,750

See accompanying notes to the basic financial statements

Washington-Nile Local School District
*Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2002*

Net Change in Fund Balances - Total Governmental Funds (S167,296)

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

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

Fixed asset additions	414,356	
Construction in progress additions	1,560,622	
Depreciation expense	(994,612)	
Excess of capital outlay over depreciation expense		980,366

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

Loss on disposal of fixed assets	(47,041)	
		(47,041)

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

Delinquent property taxes	21,679	
Intergovernmental	2,392,856	
Interest	5,957	
		2,420,492

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities.

Proceeds of bonds	(1,464,942)	
Net Premium on bonds	(147,666)	
		(1,612,608)

Governmental funds report premium and bond issuance costs as expenditures, whereas these amounts are deferred and amortized in the statement of activities.

Bond issuance costs	35,720	
Amortization of bond issuance costs	(2,233)	
Amortization of net premium	14,880	
Amortization of Deferred Loss on Early Retirement	(8,591)	
		39,776

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

School Improvement Bonds payable	65,000	
School Improvement Refunding Bonds Payable	20,000	
EPA Assistance Asbestos Note payable	5,312	
Promissory Note - H.B. 264	23,300	
Capital lease payments	159,734	
Payments to Refunded Bond Escrow Account	1,568,098	
Total long-term debt repayment		1,841,444

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

Decrease in compensated absences payable	87,226	
Increase in accrued interest	3,668	
Decrease in intergovernmental payable	(8,703)	
Accretion on bonds	(15,188)	
Total (increase)/decrease		67,003

Change in Net Assets of Governmental Activities \$3,522,136

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2002

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<u>Revenues:</u>				
Property Taxes	\$832,881	\$1,023,945	\$1,023,945	\$0
Intergovernmental	8,137,863	8,273,261	8,273,261	0
Interest	175,478	146,250	151,406	5,156
Tuition and Fees	712,313	852,136	852,151	15
Rentals	10	0	0	0
Customer Sales and Service	16,186	8,097	8,097	0
Miscellaneous	106,990	7,332	7,470	138
<i>Total Revenues</i>	<u>9,981,721</u>	<u>10,311,021</u>	<u>10,316,330</u>	<u>5,309</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	4,269,281	4,064,875	4,064,875	0
Special	882,486	749,097	749,097	0
Vocational	103,823	80,223	80,223	0
Other	265,561	399,114	399,114	0
Support Services:				
Pupils	628,321	568,977	568,977	0
Instructional Staff	443,508	397,255	397,255	0
Board of Education	81,494	81,551	81,551	0
Administration	890,747	881,991	881,991	0
Fiscal	213,513	221,829	221,829	0
Operation and Maintenance of Plant	1,059,696	984,393	984,393	0
Pupil Transportation	782,978	735,222	735,222	0
Operation of Non-Instructional Services	9,666	112	112	0
Extracurricular Activities	113,017	100,171	100,171	0
Capital Outlay	139,576	236,904	236,904	0
<i>Total Expenditures</i>	<u>9,883,667</u>	<u>9,501,714</u>	<u>9,501,714</u>	<u>0</u>
<i>Excess of Revenues Over Expenditures</i>	<u>98,054</u>	<u>809,307</u>	<u>814,616</u>	<u>5,309</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Fixed Assets	1,471	0	0	0
Refund of Prior Year Expenditures	25,070	2,938	3,123	185
Transfers In	300,850	92,690	92,690	0
Transfers Out	(736,468)	(741,130)	(741,130)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(409,077)</u>	<u>(645,502)</u>	<u>(645,317)</u>	<u>185</u>
<i>Net Change in Fund Balance</i>	(311,023)	163,805	169,299	5,494
<i>Fund Balance Beginning of Year</i>	1,837,320	1,837,320	1,837,320	0
Prior Year Encumbrances Appropriated	<u>277,870</u>	<u>277,870</u>	<u>277,870</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$1,804,167</u>	<u>\$2,278,995</u>	<u>\$2,284,489</u>	<u>\$5,494</u>

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2002

	Private Purpose Trust	
	Scholarship	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$61,878	\$33,086
<u>Liabilities:</u>		
Undistributed Monies	0	16,596
Deposits Held and Due to Others	0	16,490
<i>Total Liabilities</i>	0	\$33,086
<u>Net Assets:</u>		
Held in Trust for Scholarships	61,878	
<i>Total Net Assets</i>	\$61,878	

See accompanying notes to the basic financial statements

Washington-Nile Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2002

	Private Purpose Trust
	Scholarships
<u>Additions:</u>	
Interest	\$4,800
Gifts & Donations	11,553
<i>Total Additions</i>	16,353
<u>Deductions:</u>	
Scholarships	9,794
<i>Change in Net Assets</i>	6,559
<i>Net Assets Beginning of Year</i>	55,319
<i>Net Assets End of Year</i>	\$61,878

See accompanying notes to the basic financial statements

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WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately 68 square miles. It is located in Scioto County and is composed of the boundaries of Washington and Nile Townships. It is staffed by 61 non-certificated employees, 122 certificated full-time teaching personnel and 11 administrative employees who provide services to 1,732 students and other community members. The School District currently operates three buildings.

Reporting Entity:

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the School District is not financially accountable for these entities nor are they fiscally dependent on the School District:

- * Boosters Clubs
- * Parent - Teacher Organizations
- * Washington and Nile Townships

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

The School District participates in three jointly governed organizations, one public entity shared risk pool, one risk sharing pool, and one insurance purchasing pool. These organizations are the South Central Ohio Computer Association (SCOCA), the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Ohio School Risk Sharing Authority, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 16, 17, 18, and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds:

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Building Fund Capital Projects fund – To account for the revenues and expenditures related to the construction of the high school athletic complex.

Ohio School Facilities Commission Capital Projects fund – To account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

Fiduciary Funds:

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, tuition and fees, certain grants, and accrued 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, 2002, but which were levied to finance fiscal year 2003 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During fiscal year 2002, the School District's investments were limited to nonnegotiable certificates of deposit, Federal Home Loan Mortgage Corporation Bonds and Federal National Mortgage Association Bonds, and the State Treasury Assets Reserve of Ohio (STAROhio). 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 deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2002 amounted to \$107,618, which includes \$6,279 from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are reported on the financial statements as cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent unexpended revenues restricted for the purchase of buses and cash and cash equivalents legally required to be set-aside by the School District for textbooks and instructional materials, and parity educational programs. See Note 20 for additional information regarding set-asides.

G. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used.

Inventory consists of expendable supplies held for consumption.

H. Capital Assets

All capital assets of the School District are general capital assets associated with governmental activities. General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture and Equipment	5 - 20 years
Vehicles	10 years
Textbooks and Software	5 years

I. Compensated Absences

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

Sick leave benefits are accrued as a liability using the termination method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The liability is an estimate based on the School District's past experience of making termination payments.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

J. Unamortized Issuance Costs/Bond Premium and Discount

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond issuance costs, bond premium and discounts are deferred and amortized over the term of the bonds using the straight line method since the results are not significantly different from the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recorded as deferred charges and amortized over the term of the related debt.

Bond premiums on the capital appreciation bonds are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

On the governmental fund financial statements, governmental fund types recognize issuance costs, bond premiums, and bond discounts in the current period. The face amount of the debt issue is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Accrued Liabilities and Long-term Obligations

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

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

L. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute for fiscal year 2002.

M. Net Assets

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

N. Estimates

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

O. Budgetary Process

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

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

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

P. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2002 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*” 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 Interpretation 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability for compensated absences that were not mature as of June 30, 2001.

The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the accrual basis of accounting.

The implementation of these Statements had the following effect on the fund balances of major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES (continued)

	<u>General</u>	<u>Building</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2001	\$1,251,940	\$1,502,273	\$657,316	\$3,411,529
Interpretation No. 6 Adjustment	12,581	0	5,950	18,531
Intergovernmental Payable	0	0	11,922	11,922
Donated Commodities	0	0	3,755	3,755
Capital Assets	0	0	(358,160)	(358,160)
Fund Balance Reclassifications	<u>73,476</u>	<u>0</u>	<u>301,993</u>	<u>375,469</u>
Adjusted Fund Balances, June 30, 2001	<u>\$1,337,997</u>	<u>\$1,502,273</u>	<u>\$622,776</u>	3,463,046
GASB 34 Adjustments:				
Deferred Assets:				
Intergovernmental Receivables				185,409
Delinquent Property Taxes				90,741
Capital Assets				25,590,959
Intergovernmental Payables				(69,214)
Accrued Interest Payable				(12,360)
Long Term Liabilities:				
Asbestos Loan Payable				(50,467)
School Improvement Bonds				(1,675,000)
Promissory Note - H.B. 264				(151,450)
Capital Leases Payable				(1,500,000)
Compensated Absences Payable				<u>(552,120)</u>
Governmental Activities Net Assets, June 30, 2001				<u>\$25,319,544</u>

	<u>Food Service Enterprise Fund</u>
Fund Equity, June 30, 2001	\$375,469
Reclassification of Fund	<u>(375,469)</u>
Restated June 30, 2001	<u>\$0</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$581,260
Adjustments:	
Revenue Accruals	(35,820)
Expenditure Accruals	(39,244)
Encumbrances	(336,897)
Budget Basis	<u><u>\$169,299</u></u>

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

Deposits: At fiscal year-end, the carrying amount of the School District's deposits was \$1,995,876 and the bank balance was \$2,342,533. Of the bank balance, \$170,656 was covered by federal depository insurance and \$2,171,877 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

	<u>Category 2</u>	<u>Unclassified</u>	<u>Fair Value</u>
U.S. Government Securities:			
Federal Home Loan Mortgage Corporation Bonds	\$1,156,127	\$0	\$1,156,127
Federal National Mortgage Association Bonds	703,125	0	703,125
STAR Ohio	0	634,908	634,908
Total Investments	<u>\$1,859,252</u>	<u>\$634,908</u>	<u>\$2,494,160</u>

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

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

	<u>Cash and Cash Equivalents / Deposits</u>	<u>Investments</u>
<i>GASB Statements No. 9</i>	\$4,490,036	\$0
Investments:		
Federal Home Loan Mortgage Corporation Bonds	(1,156,127)	1,156,127
Federal National Mortgage Association Bonds	(703,125)	703,125
STAR Ohio	(634,908)	634,908
<i>GASB Statements No. 3</i>	<u>\$1,995,876</u>	<u>\$2,494,160</u>

NOTE 6 - PROPERTY TAXES

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2002 for real and public utility property taxes represents collections of calendar 2001 taxes. Property tax payments received during calendar 2002 for tangible personal property (other than public utility property) are for calendar 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value. First half 2002 real property taxes are collected in and intended to finance fiscal year 2003.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2001, are levied after April 1, 2002 and are collected in 2003 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, the June 2002 tangible personal property tax settlement was not received until July 2002.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$45,793,210	88.02%	\$52,577,960	89.57%
Public Utility	4,167,000	8.01%	3,687,180	6.28%
Tangible Personal Property	2,067,110	3.97%	2,433,430	4.15%
Total Assessed Value	<u>\$52,027,320</u>	<u>100.00%</u>	<u>\$58,698,570</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$34.68		\$34.68	

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002 and for which there is an enforceable legal claim.

Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 was levied to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available as an advance at June 30, 2002, was \$136,419 in the General Fund and \$26,868 in the nonmajor governmental funds.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 7 - RECEIVABLES

Receivables at June 30, 2002, consisted of property taxes, accounts, intergovernmental grants, and accrued interest. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
CAFS reimbursement	\$25,991
Scioto County JVS reimbursement	1,592
Ohio School Facilities Commission	2,443,737
Ohio Reads	22,500
Title II	1,450
Title VI-B	13,547
Title I	130,693
Title VI-R	21,187
Miscellaneous Federal Grants	10,821
Total Intergovernmental Receivables	<u><u>\$2,671,518</u></u>

During fiscal year 2001, the School District was awarded \$2,775,928 for the renovation of current facilities under the State's "Classroom Facilities Program." As of June 30, 2002, the School District had received \$332,191 of the amount awarded under this program.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	<u>Restated Balance at 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 6/30/02</u>
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$1,693,659	\$15,300	\$0	\$1,708,959
Construction in Progress	84,300	1,560,622	0	1,644,922
Total Capital Assets Not Being Depreciated	<u>1,777,959</u>	<u>1,575,922</u>	<u>0</u>	<u>3,353,881</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	24,166,224	89,144	0	24,255,368
Furniture and Equipment	3,892,029	194,431	(153,998)	3,932,462
Vehicles	1,149,522	55,453	0	1,204,975
Textbooks and Software	811,142	60,028	(12,200)	858,970
Total Capital Assets Being Depreciated	<u>30,018,917</u>	<u>399,056</u>	<u>(166,198)</u>	<u>30,251,775</u>
Less Accumulated Depreciation:				
Building and Improvements	(3,490,076)	(464,423)	0	(3,954,499)
Furniture and Equipment	(1,476,631)	(363,047)	106,957	(1,732,721)
Vehicles	(651,595)	(82,167)	0	(733,762)
Textbooks and Software	(587,615)	(84,975)	12,200	(660,390)
Total Accumulated Depreciation	<u>(6,205,917)</u>	<u>(994,612) *</u>	<u>119,157</u>	<u>(7,081,372)</u>
Total Capital Assets Being Depreciated, Net	<u>23,813,000</u>	<u>(595,556)</u>	<u>(47,041)</u>	<u>23,170,403</u>
Governmental Activities Capital Assets, Net	<u>\$25,590,959</u>	<u>\$980,366</u>	<u>(\$47,041)</u>	<u>\$26,524,284</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 8 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$467,626
Special	69,636
Vocational	8,867
Support Services:	
Pupils	27,926
Instructional Staff	116,346
Administration	39,216
Fiscal	10,091
Operation and Maintenance of Plant	46,239
Pupil Transportation	128,776
Operation of Non-Instructional Services	50,097
Extracurricular Activities	29,792
Total Depreciation Expense	<u>\$994,612</u>

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2002, the School District contracted with UTICA National Insurance for commercial property, boiler, commercial crime, commercial inland marine, and commercial auto coverage. Coverage's provided by UTICA are as follows:

Building and Contents (including Boiler and Machinery) and Inland Marine Coverage - replacement cost (\$1,000 deductible)	\$36,699,500
Commercial Auto Coverage:	
Liability	1,000,000
Auto Medical	5,000
Uninsured Motorists Coverage	1,000,000
Comprehensive (\$250 deductible)	Actual Cash Value
Specified Causes of Loss	Actual Cash Value
Collision Towing and Labor (\$500 deductible)	Actual Cash Value

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 9 - RISK MANAGEMENT (continued)

During fiscal year 2002, the School District joined together with other school districts in Ohio to participate in the Ohio Schools Risk Sharing Authority (OSRSA), a non-profit, public entity risk sharing pool. OSRSA was created to provide affordable liability, property, casualty and crime insurance coverage for its members. Each individual school district enters into an agreement with the OSRSA and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The District pays this annual premium to the OSRSA. (See Note 18) The types and amounts of coverage provided by the Ohio School Risk Sharing Authority during fiscal year 2002 are as follows:

General Liability:

Bodily Injury and Property Damage - Each Occurrence Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Products - Completed Operations Limit	1,000,000
General Aggregate Limit	3,000,000
Fire Legal Liability	500,000
Medical Expense - Per Person Limit	1,000
Medical Expense - Annual Aggregate	5,000
Errors and Omissions Cover - Per Occurance	1,000,000
Errors and Omissions Cover - Annual Aggregate	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been a significant increase in general liability coverage from last year due to the School District's enrollment in the Ohio School Risk Sharing Authority which has allowed for greater coverage.

For fiscal year 2002, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (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 State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2001, 4.2 percent was 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, 2002, 2001, and 2000 were \$85,506, \$43,049, and \$59,441, respectively; 56.16 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$37,482 represents the unpaid contribution for fiscal year 2002.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$496,629, \$523,887, and \$288,582, respectively; 82.79 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$85,489 represents the unpaid contribution for fiscal year 2002.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 11 - POSTEMPLOYMENT BENEFITS

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$235,245 for fiscal year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2001, (the latest information available) the balance in the Fund was \$3.256 billion. For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000 and STRS had 102,132 eligible benefit recipients.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 percent from fiscal year 2001. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$147,585.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 225 days for teachers, administrators and classified non-union. Classified union may accumulate up to a maximum of 220 days.

Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 49 days for teachers, administrators, classified nonunion and 47 days for classified union employees. As a further incentive to minimize sick leave use, the Board will pay an additional eight days of bonus retirement pay beyond the cap, if in the year of retirement, the employee has used less than eight days of sick leave and the unit member has the maximum sick leave accumulation.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 12 - EMPLOYEE BENEFITS (continued)

B. Insurance

The School District provides medical and dental insurance to its teachers, administrators and classified nonunion through Medical Mutual of Ohio. Teachers, administrators and classified nonunion are provided with life insurance through CoreSource and vision benefits through Vision Service Plan. Classified union employees are provided a health care plan through their union, Teamster Public Employees of Ohio Local No. 92.

C. Deferred Compensation

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

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE

The capital lease obligation relates to the construction of the high school athletic stadium complex. The School District entered into this lease on March 30, 2001. As part of the agreement, Oak Hill Bank, as lessor, deposited \$1,500,000 in the School District's savings account, to construct the athletic stadium complex. Amounts have been paid to contractors by the School District as the work has progressed. At fiscal year-end, the stadium being constructed under this lease has been capitalized as construction in process in the statement of net assets for governmental activities in the amount of \$1,610,323. A liability of \$1,340,266 was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2002 totaled \$159,734.

The lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 13 - CAPITAL LEASES - LESSEE DISCLOSURE (continued)

The assets acquired through capital leases are as follows:

	<u>Asset Value</u>
Asset:	
Construction in Progress	<u><u>\$1,610,323</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2002.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2003	\$182,479
2004	182,348
2005	182,210
2006	182,066
2007	181,917
2008-2011	<u>726,015</u>
Total	1,637,035
Less: Amount Representing Interest	<u>(296,769)</u>
Present Value of Net Minimum Lease Payments	<u><u>\$1,340,266</u></u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2002 were as follows:

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02	Amounts Due in One Year
<u>Governmental Activities:</u>					
1992 EPA Asbestos					
Loan 0.00%	\$50,467	\$0	\$5,312	\$45,155	\$5,312
1994 Classroom Facilities					
General Obligation					
Bonds 5.8% to 6.45%	1,675,000	0	1,530,000	145,000	70,000
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	0	1,355,000	20,000	1,335,000	35,000
Original Issue Capital					
Appreciation Bonds	0	109,942	0	109,942	0
Accretion on Capital					
Appreciation Bonds	0	15,188	0	15,188	0
Premium on Debt Issue	0	148,649	14,989	133,660	0
Dicount on Debt Issue	0	(983)	(109)	(874)	0
Deferred Loss on Early Retirement	0	(103,098)	(8,591)	(94,507)	0
1997 Promissory Note					
HB 264 - 5.36%	151,450	0	23,300	128,150	23,300
Capital Leases	1,500,000	0	159,734	1,340,266	123,499
Compensated Absences	552,120	8,544	95,770	464,894	48,445
Total Governmental Activities					
Long-Term Obligations	<u>\$3,929,037</u>	<u>\$1,533,242</u>	<u>\$1,840,405</u>	<u>\$3,621,874</u>	<u>\$305,556</u>

EPA Asbestos Loan - In 1993 Washington-Nile Local School District obtained a loan in the amount of \$95,619 for the purpose of providing asbestos removal. The loan was issued for an eighteen year period with final maturity during fiscal year 2011. The loan is interest free and will be retired from the debt service fund.

1994 Classroom Facilities Bonds - In 1994, the school District issued \$2,032,351 in voted general obligation bonds for the purpose of constructing a new high school and elementary school, with renovations to the middle school. The bonds were issued for a twenty-three year period with final maturity at December 1, 2016. Bonds with a maturity of 2004 through 2016 were advance refunded. During the fiscal year, \$65,000 in principal was repaid before the bonds were refunded. Non-callable bonds in the amount of \$145,000 were left outstanding.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

2001 Classroom Facilities Bonds - On July 1, 2001, the District issued \$1,464,942 in General Obligation Bonds to advance refund \$1,465,000 of outstanding 1994 Classroom Facilities General Obligation Bonds with an interest rate of 5.8% to 6.6%. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively, with interest rates ranging from 3.30% to 5.00%. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013. The maturity amount of the capital appreciation bonds is \$145,000 in fiscal year 2011, \$140,000 in fiscal year 2012, and \$140,000 in fiscal year 2013, for a total of \$425,000. For fiscal year 2002, the capital appreciation bonds were accreted \$15,188. Issuance costs associated with the bond issue will be amortized over the term of the bonds.

The advance refunding resulted in a difference between the acquisition price and the net carrying amount of the old debt of \$103,098. This difference, reported in the financial statements as a deduction from bonds payable, will be charged to operations through the year 2014 using the effective interest method. The School District decreased its total debt service payments by \$301,177 as a result of the advance refunding. The School District also incurred an economic gain (difference between the present values of the old and new debt service payments) of \$247,157. The General Obligation Refunding Bonds will be paid through the Debt Service Fund with property tax levy revenue.

The total outstanding bond value of the advance refunding as of fiscal year-end 2002 was \$1,460,130. The total bond value at final maturity will be \$1,760,000.

The District received proceeds of \$1,612,608, which included a net premium of \$147,666. \$1,568,098 of the proceeds (after payment of \$45,154 in underwriting fees, insurance, accrued interest and other issuance costs) was used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1994 Classroom Facilities General Obligation Bonds. As a result, a significant portion of the 1994 Classroom Facilities General Obligation Bonds are considered to be defeased and the liability for these bonds has been reduced.

1997 Promissory Note H. B. 264 - On July 23, 1997, the School District issued a ten year \$233,000 note for the purpose of implementing energy conservation measures under the provisions of H.B. 264 at the middle school. This note is backed by the full faith and credit of the School District and the note will be repaid with general funds.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Compensated absences will be paid from the General fund and the Food Service, Disadvantage Pupil Impact Aid, and Title I special revenue funds from which the employees' salaries are paid.

The School District's overall legal debt margin was \$3,741,831 with an unvoted debt margin of \$58,699, and an Energy Conservation debt margin of \$483,132 at June 30, 2002.

Principal and interest requirements to retire 1994 general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Total
2003	\$70,000	\$6,875	\$76,875
2004	75,000	2,344	77,344
Total	<u>\$145,000</u>	<u>\$9,219</u>	<u>\$154,219</u>

Principal and interest requirements to retire 2001 general obligation debt outstanding at June 30, 2002, are as follows:

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital Appreciation Bonds Principal	Capital Appreciation Bonds Interest	Total
2003	\$35,000	\$56,673	\$0	\$0	\$91,673
2004	35,000	55,448	0	0	90,448
2005	115,000	52,748	0	0	167,748
2006	120,000	48,398	0	0	168,398
2007	125,000	43,680	0	0	168,680
2008-2012	405,000	147,800	78,390	206,610	837,800
2013-2017	<u>500,000</u>	<u>68,169</u>	<u>31,552</u>	<u>108,448</u>	<u>708,169</u>
Total	<u>\$1,335,000</u>	<u>\$472,916</u>	<u>\$109,942</u>	<u>\$315,058</u>	<u>\$2,232,916</u>

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Principal requirements to retire EPA Asbestos Loan outstanding at June 30, 2002, are as follows:

EPA Asbestos Loan - 1992	
Fiscal year	
<u>Ending June 30,</u>	<u>Principal</u>
2003	\$5,312
2004	5,312
2005	5,312
2006	5,312
2007	5,312
2008-2011	18,595
Total	<u>\$45,155</u>

Principal requirements to retire H. B. 264 Promissory Note outstanding at June 30, 2002, are as follows:

H. B. Promissory Note - 1997	
Fiscal year	
<u>Ending June 30,</u>	<u>Principal</u>
2003	\$23,300
2004	23,300
2005	23,300
2006	23,300
2007	23,300
2008	11,650
Total	<u>\$128,150</u>

NOTE 15 - INTERFUND ACTIVITY

Transfers made during the year ended June 30, 2002 were as follows:

	Transfers From
	<u>General</u>
Transfers To	
Building Fund	\$100,000
Ohio School	
Facilities Commission	56,652
All Other	
Nonmajor Funds	<u>491,788</u>
Totals	<u>\$648,440</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2002

NOTE 15 - INTERFUND ACTIVITY (continued)

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

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association - The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Adams, Brown, Highland, Lawrence, Pike, Ross, Jackson, Vinton and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$13,880 for services provided during the year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools - The Coalition of Rural and Appalachian Schools is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The board members are composed of one superintendent from each county elected by the school districts within that county. The Council provides various services for school district administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for school district personnel. The Council is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Council. During fiscal year 2002, the School District paid the Coalition \$300 for annual membership dues.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (continued)

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of county boards of MR/DD, Joint Vocational Schools, Pickaway-Ross CTC, Shawnee State University, and Pike, Ross, Lawrance and South Central Ohio Educational Service Centers, whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Washington-Nile Local School District's superintendent is on the SERRC Board. The fiscal agent for the SERRC is Dawson-Bryant Local School District. Financial information can be obtained by contacting Donald Washburn, Director of Pilasco-Ross, at the South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45663.

NOTE 17 - PUBLIC ENTITY SHARED RISK POOL

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

NOTE 18 - RISK SHARING POOL

Ohio Schools Risk Sharing Authority, Inc. - The Ohio Schools Risk Sharing Authority, Inc. (OSRSA) is a risk sharing pool serving school districts in Ohio. OSRSA was formed as an Ohio non-profit corporation for the purpose of administering a joint self-insurance pool and assisting members to prevent and reduce losses and injuries to District property and persons and property which might result in claims being made against members of OSRSA. Member school districts agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by OSRSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and educators' errors and omissions liability insurance.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 18 – RISK SHARING POOL (continued)

Each member school district has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation are managed by an elected board of not more than nine directors. Only superintendents, treasurers, or business managers of member school districts are eligible to serve on the board. No school district may have more than one representative on the board at any time. Each member school district's control over the budgetary and financing of OSRSA is limited to its voting authority and any representative it may have on the board of directors. Financial information can be obtained from OSRSA at 655 Metro Place South, Suite 900, Dublin, Ohio 43017.

NOTE 19 - INSURANCE PURCHASING POOL

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

NOTE 20 - SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Totals</u>
Set-aside Reserve Balance as of June 30, 2001	\$9,251	\$0	\$9,251
Current Year Set-aside Requirement	200,359	200,359	400,718
Qualifying Disbursements	(174,786)	(200,359)	(375,145)
Set-aside Reserve Balance as of June 30, 2002	<u>\$34,824</u>	<u>\$0</u>	<u>\$34,824</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2002

NOTE 21 – CONTRACTUAL COMMITMENTS

The School District contracted for the design and construction of a new high school athletic complex and renovations to the middle school. The outstanding construction commitments at June 30, 2002 are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/02</u>
BBL Construction	\$156,896	\$20,226	\$136,670
West End Electric	281,980	270,628	11,352
Portco	645,688	502,240	143,448
David York Sports Cargo	519,855	512,762	7,093
Wright's Chain Link Fences Inc.	101,000	78,000	23,000
Tanner & Stone	293,184	125,250	167,934
Total	<u>\$1,998,603</u>	<u>\$1,509,106</u>	<u>\$489,497</u>

NOTE 22 – STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...".

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

NOTE 23 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

The School District is currently not party to any pending litigation.

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**WASHINGTON-NILE LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Nutrition Cluster: Food Distribution Program	NA	10.550	\$	\$ 26,101	\$	\$ 25,526
National School Breakfast Program	05-PU	10.553	52,422		52,422	
National School Lunch Program	04-PU	10.555	<u>209,889</u>		<u>209,889</u>	
Total U.S. Department of Agriculture - Nutrition Cluster			262,311	26,101	262,311	25,526
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed through State Board of MRDD</i>						
Community Alternative Fund System	N/A	93.778	<u>28,186</u>		<u>28,186</u>	
Total U.S. Department of Health and Human Services			28,186	0	28,186	0
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>Passed Through Ohio Department of Education:</i>						
Special Education Grants to States (IDEA Part B)	6B-SF	84.027	108,694		114,336	
Grants to Local Educational Agencies (ESEA Title I)	C1-S1	84.010	672,961		601,987	
Eisenhower Professional Development Program (Title II)	MS-S1	84.281	14,901		7,682	
Drug-Free Schools Grant (Title IV)	DR-S1	84.186	16,190		16,790	
Innovative Education Program Strategies (Title VI)	C2-S1	84.298	11,635		11,635	
Goals 2000	G2-S2	84.276	10,000		18,059	
Title VI-R Grant	CR-S1	84.340	85,339		103,388	
Reading Excellence	RN-S2	84.338	110,000		87,988	
Assistive Technology Infusion	AT-S1	84.352	6,520		6,520	
<i>Passed through Scioto County Joint Vocational School District:</i>						
21st Century Grant	NA	84.287	<u>10,940</u>		<u>10,940</u>	
Total U.S. Department of Education			<u>1,047,180</u>	<u>0</u>	<u>979,325</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 1,337,677</u>	<u>\$ 26,101</u>	<u>\$ 1,269,822</u>	<u>\$ 25,526</u>

The accompanying Notes to the Schedule of Federal Awards Receipts and Expenditures are an integral part of this Schedule.

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS
RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2002 the School District had no significant food commodities in inventory.



Auditor of State Betty Montgomery

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

Washington-Nile Local School District
Scioto County
15332 U.S. Highway 52
West Portsmouth, Ohio 45663

To The Board of Education:

We have audited the basic financial statements of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2002, and have issued our report thereon dated March 28, 2003, wherein we noted the School District has adopted Governmental Accounting Statements No. 34, 37, and 38 and Interpretation 6. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated March 28, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 School District in a separate letter dated March 28, 2003.

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Washington-Nile Local School District
Scioto County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page -2-

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

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

Betty Montgomery
Auditor of State

March 28, 2003



**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-Nile Local School District
Scioto County
15332 U.S. Highway 52
West Portsmouth, Ohio 45663

To the Board of Education:

Compliance

We have audited the compliance of the Washington-Nile Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School 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 School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

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

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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.

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 28, 2003

**WASHINGTON-NILE LOCAL SCHOOL DISTRICT
SCIOTO COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

This audit of the Washington-Nile Local School District, Scioto County for the year ended June 30, 2002 contained no findings that are required to be reported in accordance with GAGAS.

3. FINDINGS FOR FEDERAL AWARDS

This audit of the Washington-Nile Local School District, Scioto County for the year ended June 30, 2002 contained no findings for federal awards.



**Auditor of State
Betty Montgomery**

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800-282-0370

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WASHINGTON-NILE LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 15, 2003**