



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

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, 2007, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio, as of June 30, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 22, 2008

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

As management of the Washington-Nile Local School District, (the School District) we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- Net assets of governmental activities decreased by \$650,434.
- Total assets of governmental activities decreased by \$839,131. Capital assets decreased by \$758,136. Receivables and other current assets decreased by \$80,995.
- General revenues accounted for \$10,785,207. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,868,286. Total revenues equaled \$14,653,493 for fiscal year 2007.
- The School District had \$15,303,927 in expenses related to governmental activities; only \$3,868,286 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of \$10,785,207 were not adequate to provide for these programs.

Using the Basic Financial Statements

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

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 fiscal year 2007?”

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major fund begins on page 8. Fund financial reports provide detailed information about the School District's major fund. 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 fund.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>2007</u>	<u>2006</u>	
<u>Assets:</u>			
Current Assets	\$6,951,219	\$7,032,214	(\$80,995)
Capital Assets	<u>27,033,787</u>	<u>27,791,923</u>	<u>(758,136)</u>
<i>Total Assets</i>	<u>33,985,006</u>	<u>34,824,137</u>	<u>(839,131)</u>
<u>Liabilities:</u>			
Long-Term Liabilities	2,221,883	2,498,245	(276,362)
Other Liabilities	<u>2,929,090</u>	<u>2,841,425</u>	<u>87,665</u>
<i>Total Liabilities</i>	<u>5,150,973</u>	<u>5,339,670</u>	<u>(188,697)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	25,359,569	25,817,436	(457,867)
Restricted	1,264,478	1,259,693	4,785
Unrestricted	<u>2,209,986</u>	<u>2,407,338</u>	<u>(197,352)</u>
<i>Total Net Assets</i>	<u>\$28,834,033</u>	<u>\$29,484,467</u>	<u>(\$650,434)</u>

Total assets decreased by \$839,131. This was mainly due to a significant decrease of \$758,136 in Net Capital Assets resulting from current fiscal year deletions and depreciation exceeding current fiscal year additions.

Total liabilities decreased \$188,697. This was due primarily to a decrease in long-term liabilities of \$276,362 resulting from principal payments on the capital lease and outstanding debt issues made during the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities decreased by \$457,867 due to current fiscal year depreciation and deletions exceeding current fiscal year additions and principal payments on the capital lease and outstanding debt issues made during the fiscal year. Unrestricted Net Assets for governmental activities decreased by \$197,352 resulting from an increase in expenditures relating to salary increases, the hiring of new employees, and new programs added during the fiscal year.

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

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

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

(Table 2)
Change in Net Assets

	2007	2006	Increase/ (Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,691,940	\$1,751,938	(\$59,998)
Operating Grants, Contributions and Interest	2,152,580	2,210,284	(57,704)
Capital Grants and Contributions	23,766	31,269	(7,503)
<i>Total Program Revenues</i>	<u>3,868,286</u>	<u>3,993,491</u>	<u>(125,205)</u>
General Revenues:			
Property Taxes	1,427,900	1,450,444	(22,544)
Grants and Entitlements not Restricted to Specific Programs	9,051,833	9,068,669	(16,836)
Investment Earnings	236,659	154,913	81,746
Miscellaneous	68,815	98,591	(29,776)
<i>Total General Revenues</i>	<u>10,785,207</u>	<u>10,772,617</u>	<u>12,590</u>
<i>Total Revenues</i>	<u>\$14,653,493</u>	<u>\$14,766,108</u>	<u>(\$112,615)</u>
			(continued)

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

(Table 2)
Change in Net Assets
(continued)

	<u>2007</u>	<u>2006</u>	Increase/ (Decrease)
<u>Program Expenses:</u>			
Instruction:			
Regular	\$6,538,011	\$6,185,939	\$352,072
Special	1,520,534	1,715,377	(194,843)
Vocational	105,748	105,938	(190)
Student Intervention Services	186,302	45,889	140,413
Support Services:			
Pupils	856,803	825,792	31,011
Instructional Staff	942,249	796,664	145,585
Board of Education	84,029	46,426	37,603
Administration	1,115,197	969,927	145,270
Fiscal	286,664	272,817	13,847
Operation and Maintenance of Plant	1,530,308	1,455,268	75,040
Pupil Transportation	831,203	809,224	21,979
Operation of Non-Instructional Services:			
Food Service Operations	756,427	744,180	12,247
Extracurricular Activities	446,773	467,419	(20,646)
Interest and Fiscal Charges	103,679	117,443	(13,764)
<i>Total Expenses</i>	<u>15,303,927</u>	<u>14,558,303</u>	<u>745,624</u>
<i>Increase (Decrease) in Net Assets</i>	(650,434)	207,805	(858,239)
<i>Net Assets at Beginning of Year</i>	<u>29,484,467</u>	<u>29,276,662</u>	<u>207,805</u>
<i>Net Assets at End of Year</i>	<u><u>\$28,834,033</u></u>	<u><u>\$29,484,467</u></u>	<u><u>(\$650,434)</u></u>

Governmental Activities

Program revenues decreased by \$125,205 due primarily to a decrease in the Title I operating grants, along with a decrease in open enrollment. General revenues increased by \$12,590, which is not significant. Grants and Entitlements not Restricted to Specific Programs accounted for \$9,051,833 of revenues for governmental activities. Property tax revenues accounted for \$1,427,900 of revenues for governmental activities for a total of \$10,479,733 of revenue coming from Property Taxes and Grants and Entitlements not Restricted to Specific Programs.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Program expenses increased by \$745,624. Regular Instruction accounted for \$6,538,011 of governmental program expenses while Support Services expenses totaled \$5,646,453 of governmental program expenses. Regular Instruction increased \$352,072 mainly due to an increase in salaries, along with new programs added during the fiscal year. Student Intervention Services increased \$140,413 due primarily to an increase in salaries and additional expenses incurred for home instruction tutors. Instructional Staff increased \$145,585 due mostly to the salary increase and an additional teacher. Administration increased \$145,270 due largely to the salary increase and for services rendered by a contracted psychologist.

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

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	\$8,350,595	\$5,864,722	\$8,053,143	\$5,336,244
Support Services	5,646,453	5,115,129	5,176,118	4,815,876
Operation of Non- Instructional Services	756,427	93,154	744,180	62,296
Extracurricular Activities	446,773	258,957	467,419	232,953
Interest and Fiscal Charges	103,679	103,679	117,443	117,443
<i>Total Expenses</i>	<u>\$15,303,927</u>	<u>\$11,435,641</u>	<u>\$14,558,303</u>	<u>\$10,564,812</u>

The School District's Funds

Information about the School District's major fund starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,513,815 and expenditures of \$14,825,730. The net change in fund balance for the fiscal year was most significant in the General Fund, a decrease of \$206,183. This was due to an increase in salaries, along with an additional teacher and new programs started during the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

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 fiscal year 2007, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final estimated revenues were \$11,212,247, with original estimated revenues of \$11,099,080, a difference of \$113,167. This difference was due primarily to conservative estimates by the School District.

Final estimated expenditures were \$11,428,529, with original estimated expenditures of \$13,239,450. This difference of \$1,810,921 was due primarily to overestimating the Preventive Maintenance Program expenditures for improvements.

The School District's ending actual fund balance in the General Fund had no variance to the final budgeted amount.

Capital Assets

At the end of fiscal year 2007, the School District had \$27,033,787 invested in capital assets (net of accumulated depreciation), for a decrease of \$758,136 from the prior fiscal year. This decrease occurred due to current year depreciation exceeding current year additions. Additions to capital assets included a fence located at the middle school, additional security equipment, routine computer and computer related purchases, band uniforms, and two school buses. Disposals during the fiscal year included various computer equipment and three school buses. For additional information regarding the School District's capital assets, refer to Note 8 in the basic financial statements.

Debt

At June 30, 2007, the School District had an \$18,595 EPA Asbestos loan outstanding, of which \$5,312 is due within one year; \$905,000 in bonds outstanding, of which \$130,000 is due within one year; and \$11,650 in notes outstanding, all of which is due within one year. The School District also had capital appreciation bonds outstanding of \$109,942, accretion on capital appreciation bonds of \$130,530, an outstanding premium of \$58,715, a discount of \$329, a deferred loss on the early retirement of debt of \$51,548, and capital lease obligations of \$663,110, of which \$154,737 is due within one year. For further information regarding the School District's long-term obligations, refer to Note 14 in the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2007

Unaudited

Current Issues

The School District was created in 1939 from the merger of three township school systems. The School District's enrollment in October 2006 was 1,611 students, which was down from October 2005 of 1,674 students.

The School District is a low wealth district, and is rated in the bottom ten of all the school districts in property valuation per pupil in the State of Ohio. The School District is very dependent on the State of Ohio for funding.

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 any questions about this report or need additional information, contact Sherry Patterson, Treasurer at Washington-Nile Local School District, 15332 U.S. Highway 52, West Portsmouth, Ohio 45663, or e-mail at sloakes@west.k12.oh.us.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2007

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,865,088
Materials and Supplies Inventory	29,773
Inventory Held for Resale	3,486
Accrued Interest Receivable	40,211
Accounts Receivable	11,915
Intergovernmental Receivable	406,950
Prepaid Items	16,045
Property Taxes Receivable	1,555,429
Deferred Charges	22,322
Capital Assets:	
Land	1,743,109
Depreciable Capital Assets, Net	<u>25,290,678</u>
<i>Total Assets</i>	<u>33,985,006</u>
<u>Liabilities:</u>	
Accounts Payable	76,830
Accrued Wages and Benefits Payable	1,154,293
Intergovernmental Payable	342,556
Deferred Revenue	1,351,707
Accrued Interest Payable	3,704
Long-Term Liabilities:	
Due Within One Year	367,339
Due in More Than One Year	<u>1,854,544</u>
<i>Total Liabilities</i>	<u>5,150,973</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	25,359,569
Restricted for Debt Service	382,011
Restricted for Capital Projects	246,564
Restricted for Other Purposes	518,171
Restricted for Set-Asides	117,732
Unrestricted	<u>2,209,986</u>
<i>Total Net Assets</i>	<u><u>\$28,834,033</u></u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2007

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Total Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,538,011	\$1,157,704	\$192,444	\$0	(\$5,187,863)
Special	1,520,534	0	1,118,958	0	(401,576)
Vocational	105,748	0	16,767	0	(88,981)
Student Intervention Services	186,302	0	0	0	(186,302)
Support Services:					
Pupils	856,803	0	72,236	0	(784,567)
Instructional Staff	942,249	0	334,213	0	(608,036)
Board of Education	84,029	0	0	0	(84,029)
Administration	1,115,197	0	52,503	0	(1,062,694)
Fiscal	286,664	0	0	0	(286,664)
Operation and Maintenance of Plant	1,530,308	0	0	0	(1,530,308)
Pupil Transportation	831,203	4,708	43,898	23,766	(758,831)
Operation of Non-Instructional Services:					
Food Service Operations	756,427	341,712	321,561	0	(93,154)
Extracurricular Activities	446,773	187,816	0	0	(258,957)
Interest and Fiscal Charges	103,679	0	0	0	(103,679)
Total Governmental Activities	<u>\$15,303,927</u>	<u>\$1,691,940</u>	<u>\$2,152,580</u>	<u>\$23,766</u>	<u>(11,435,641)</u>
<u>General Revenues:</u>					
Property Taxes Levied for:					
					1,224,852
					23,746
					179,302
Grants and Entitlements not					
					9,051,833
					236,659
					68,815
Total General Revenues					<u>10,785,207</u>
					(650,434)
Change in Net Assets					<u>29,484,467</u>
Net Assets at Beginning of Year					<u>29,484,467</u>
Net Assets at End of Year					<u>\$28,834,033</u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2007

	General	Other Governmental Funds	Total Governmental Funds
	<hr/>	<hr/>	<hr/>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,581,447	\$1,142,143	\$4,723,590
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	141,498	0	141,498
Receivables:			
Property Taxes	1,338,132	217,297	1,555,429
Accounts	5,268	6,647	11,915
Intergovernmental	4,681	402,269	406,950
Accrued Interest	40,211	0	40,211
Interfund	57,408	0	57,408
Prepaid Items	15,895	150	16,045
Materials and Supplies Inventory	28,665	1,108	29,773
Inventory Held for Resale	0	3,486	3,486
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$5,213,205</u>	<u>\$1,773,100</u>	<u>\$6,986,305</u>
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$69,029	\$7,801	\$76,830
Accrued Wages and Benefits Payable	862,923	291,370	1,154,293
Intergovernmental Payable	265,199	77,357	342,556
Interfund Payable	0	57,408	57,408
Deferred Revenue	1,300,820	407,241	1,708,061
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>2,497,971</u>	<u>841,177</u>	<u>3,339,148</u>
 <u>Fund Balances:</u>			
Reserved for Encumbrances	260,219	34,453	294,672
Reserved for Property Taxes	76,386	12,911	89,297
Reserved for Textbooks and Instructional Materials	117,732	0	117,732
Reserved for Bus Purchases	23,766	0	23,766
Unreserved:			
Designated for Future Severance Payments	102,388	0	102,388
Unreserved, Undesignated, Reported in:			
General Fund	2,134,743	0	2,134,743
Special Revenue Funds	0	358,403	358,403
Debt Service Fund	0	360,007	360,007
Capital Projects Funds	0	166,149	166,149
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>2,715,234</u>	<u>931,923</u>	<u>3,647,157</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,213,205</u>	<u>\$1,773,100</u>	<u>\$6,986,305</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, 2007

Total Governmental Fund Balances \$3,647,157

*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	1,743,109	
Other capital assets	36,911,413	
Accumulated depreciation	(11,620,735)	
Total capital assets	27,033,787	27,033,787

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	110,310	
Intergovernmental	198,893	
Interest	37,902	
Customer sales and services	9,249	
	356,354	356,354

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. 22,322

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

Bonds, loans, and notes payable	(993,639)	
Accretion on bonds	(130,530)	
Discount on debt issue	329	
Premium on debt issue	(58,715)	
Accrued interest on bonds	(3,704)	
Capital leases	(663,110)	
Compensated absences	(376,218)	
Total liabilities	(2,225,587)	(2,225,587)

Net Assets of Governmental Activities \$28,834,033

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, 2007

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,238,751	\$205,540	\$1,444,291
Intergovernmental	8,526,077	2,564,660	11,090,737
Investment Earnings	224,039	4,078	228,117
Decrease in Fair Value of Investments	(1,336)	0	(1,336)
Tuition and Fees	1,126,112	0	1,126,112
Extracurricular Activities	0	183,591	183,591
Customer Sales and Services	31,513	341,475	372,988
Contributions and Donations	500	0	500
Miscellaneous	63,179	5,636	68,815
<i>Total Revenues</i>	<u>11,208,835</u>	<u>3,304,980</u>	<u>14,513,815</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,240,915	952,609	6,193,524
Special	693,620	808,827	1,502,447
Vocational	96,855	0	96,855
Student Intervention Services	68,079	115,318	183,397
Support Services:			
Pupils	735,854	91,226	827,080
Instructional Staff	513,802	316,009	829,811
Board of Education	84,029	0	84,029
Administration	1,000,167	54,362	1,054,529
Fiscal	268,022	4,488	272,510
Operation and Maintenance of Plant	1,416,661	18,345	1,435,006
Pupil Transportation	887,100	781	887,881
Operation of Non-Instructional Services:			
Food Service Operations	0	671,717	671,717
Extracurricular Activities	133,513	234,689	368,202
Capital Outlay	37,398	595	37,993
Debt Service:			
Principal Retirement	0	301,526	301,526
Interest and Fiscal Charges	0	79,223	79,223
<i>Total Expenditures</i>	<u>11,176,015</u>	<u>3,649,715</u>	<u>14,825,730</u>
Excess of Revenues Over (Under) Expenditures	<u>32,820</u>	<u>(344,735)</u>	<u>(311,915)</u>
<u>Other Financing Sources (Uses):</u>			
Proceeds from Sale of Capital Assets	4,869	0	4,869
Transfers In	0	243,872	243,872
Transfers Out	(243,872)	0	(243,872)
<i>Total Other Financing Sources (Uses)</i>	<u>(239,003)</u>	<u>243,872</u>	<u>4,869</u>
<i>Net Change in Fund Balances</i>	(206,183)	(100,863)	(307,046)
<i>Fund Balances at Beginning of Year</i>	<u>2,921,417</u>	<u>1,032,786</u>	<u>3,954,203</u>
<i>Fund Balances at End of Year</i>	<u>\$2,715,234</u>	<u>\$931,923</u>	<u>\$3,647,157</u>

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, 2007

Net Change in Fund Balances - Total Governmental Funds (\$307,046)

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

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

Capital assets additions	288,253	
Depreciation expense	(1,028,598)	
Excess of capital outlay over depreciation expense		(740,345)

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of capital assets are removed from the capital assets account in the Statement of Net Assets and offset against the proceeds from the sale of capital assets resulting in a loss on the sale of capital assets in the Statement of Activities.

Proceeds from the sale of capital assets	(4,869)	
Loss on disposal of capital assets	(12,922)	
		(17,791)

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	(16,391)	
Intergovernmental	135,167	
Interest	11,653	
Customer sales and services	9,249	
		139,678

Amortization of bond issuance costs, bond premiums, bond discounts, the deferred loss on the refunding of debt, as well as accrued interest payable and accretion on the bonds are not reported in the funds, but are allocated as an expense over the life of the debt on a full accrual basis.

Amortization of bond issuance costs	(2,233)	
Amortization of bond premium	14,989	
Amortization of bond discount	(109)	
Amortization of deferred loss on early retirement	(8,592)	
Decrease in accrued interest payable	941	
Accretion on bonds	(29,452)	
		(24,456)

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 fiscal year, these amounts consist of:

Loan principal retirement	5,312	
Bond payments	125,000	
Note payments	23,300	
Capital lease payments	147,914	
Total long-term debt repayment		301,526

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

Increase in compensated absences payable	(2,000)	
--	---------	--

Change in Net Assets of Governmental Activities (\$650,434)

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, 2007

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$1,479,694	\$1,234,124	\$1,234,124	\$0
Intergovernmental	8,218,088	8,524,582	8,524,582	0
Investment Earnings	223,890	232,240	232,240	0
Tuition and Fees	1,087,059	1,127,601	1,127,601	0
Customer Sales and Services	29,980	31,098	31,098	0
Contributions and Donations	500	500	500	0
Miscellaneous	59,869	62,102	62,102	0
<i>Total Revenues</i>	<u>11,099,080</u>	<u>11,212,247</u>	<u>11,212,247</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,975,288	5,223,837	5,223,837	0
Special	831,412	718,162	718,162	0
Vocational	107,765	96,579	96,579	0
Student Intervention Services	76,308	68,387	68,387	0
Support Services:				
Pupils	829,441	739,634	739,634	0
Instructional Staff	575,928	508,746	508,746	0
Board of Education	139,170	112,514	112,514	0
Administration	1,119,589	1,001,753	1,001,753	0
Fiscal	325,310	281,863	281,863	0
Operation and Maintenance of Plant	1,868,927	1,574,671	1,574,671	0
Pupil Transportation	1,161,028	896,899	896,899	0
Extracurricular Activities	144,382	129,395	129,395	0
Capital Outlay	84,902	76,089	76,089	0
<i>Total Expenditures</i>	<u>13,239,450</u>	<u>11,428,529</u>	<u>11,428,529</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,140,370)</u>	<u>(216,282)</u>	<u>(216,282)</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	0	4,869	4,869	0
Refund of Prior Year Expenditures	0	35	35	0
Transfers In	120,000	0	0	0
Advances In	0	7,043	7,043	0
Transfers Out	(369,569)	(243,872)	(243,872)	0
Advances Out	(25,000)	(1,259)	(1,259)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(274,569)</u>	<u>(233,184)</u>	<u>(233,184)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(2,414,939)	(449,466)	(449,466)	0
<i>Fund Balance at Beginning of Year</i>	3,524,770	3,524,770	3,524,770	0
<i>Prior Year Encumbrances Appropriated</i>	<u>337,441</u>	<u>337,441</u>	<u>337,441</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,447,272</u>	<u>\$3,412,745</u>	<u>\$3,412,745</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2007

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$89,534	\$42,386
Receivables:		
Accrued Interest	2,145	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	91,679	<u><u>42,386</u></u>
<u>Liabilities:</u>		
Undistributed Monies	0	\$11,161
Deposits Held and Due to Others	0	31,225
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	0	<u><u>42,386</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>91,679</u></u>	

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2007

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$2,830
Gifts and Donations	<u>29,166</u>
<i>Total Additions</i>	31,996
<u>Deductions:</u>	
Scholarships	<u>9,415</u>
<i>Change in Net Assets</i>	22,581
<i>Net Assets at Beginning of Year</i>	<u>69,098</u>
<i>Net Assets at End of Year</i>	<u><u>\$91,679</u></u>

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, 2007

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 Washington and Nile Townships. It is staffed by 66 non-certificated employees, 118 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,611 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 the School District, this includes general operations, food service, and student related activities of the School District.

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

The School District participates in six organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 16, 17 and 18 to the basic financial statements.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

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

Fund Financial Statements

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Funds:

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District has three fiduciary funds: a private purpose trust fund used to account for college scholarship programs for students; an agency fund used to account for student managed activity programs; and an agency fund used to account for revenues and expenditures associated with services provided by an employee of the School District that is associated with the Visually Impaired Program, for which the School District is the fiscal agent.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the financial statements of the fiduciary funds 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 that 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available for advance, grants, accrued interest, tuition and fees, extracurricular activities, and customer sales and services.

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, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2007, the School District's investments were limited to nonnegotiable certificates of deposit, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Banks Global Bonds, Federal Home Loan Banks Consolidation Bonds, and the State Treasury Asset 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, 2007.

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 2007 amounted to \$224,039, which includes \$46,668 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.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials and unspent grant monies restricted for bus purchases. See Note 19 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007, 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 is reported in the fiscal year in which services are consumed.

H. Inventory

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

All capital assets of the School District are general capital assets that are associated with governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital 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, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

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

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivable" and "Interfund Payable". These amounts are eliminated in the governmental activities column of the Statement of Net Assets.

K. Compensated Absences

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

L. Bond Premiums/Issuance Costs/Interest on Capital Appreciation Bonds

Bond issuance costs and bond premiums 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. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and discounts and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

The accounting gain/loss on refunded bonds (difference between the reacquisition price and the net carrying amount of the old debt) is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

On the governmental fund financial statements, the accrued interest payable on the serial bonds and accretion on the capital appreciation bonds are not reported.

M. 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 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 fiscal 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. Fund Balance Reserves and Designations

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

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

O. 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 enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service and music and athletic programs and federal and State grants restricted to expenditures for specified purposes.

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

The government-wide Statement of Net Assets reports \$1,264,478 of restricted net assets, none of which is restricted by enabling legislation.

P. 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, all of 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

The appropriation resolution is subject to amendment by the Board throughout the fiscal year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year, including all supplemental appropriations. Prior to fiscal year-end, the School District passed a supplemental appropriation that reflected actual expenditures plus encumbrances for the fiscal year.

Q. Internal Activity

Internal allocation of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities.

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

R. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 3 – ACCOUNTABILITY

At June 30, 2007, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Classroom Facilities Maintenance	\$56,149
Education Management Information System	369
Ohio Reads	126
Alternative School	297
Poverty Based Assistance	32,052
Title II - A, Improving Teacher Quality	1,380

The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

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) – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
5. Investments are recorded at fair value (GAAP basis) rather than cost (budget basis).

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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	(\$206,183)
Adjustments:	
Revenue Accruals	2,111
Expenditure Accruals	87,292
Encumbrances	(339,806)
Advances	5,784
Net Decrease in Fair Value	
of Investments - Fiscal Year 2006	(28,270)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2007	29,606
Budget Basis	<u><u>(\$449,466)</u></u>

NOTE 5 – DEPOSITS AND INVESTMENTS

Monies held by the School District are classified by State statute into three categories.

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

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Interim monies held by the School District 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 security 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;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2007, the School District had the following investments:

	<u>Fair Value</u>	<u>Investment Maturity</u>		
STAROhio	<u>\$368,332</u>	Average 39 days		
		<u>Investment Maturities (in Years)</u>		
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 - 4</u>	<u>Call Date</u>
Federal Home Loan Mortgage Corporation Notes	\$461,587	\$0	\$461,587	11/30/2007
Federal National Mortgage Association Notes	497,970	0	497,970	-----
Federal National Mortgage Association Notes	199,126	0	199,126	12/18/2007
Federal National Mortgage Association Notes	253,725	0	253,725	9/28/2007
Federal National Mortgage Association Notes	99,219	0	99,219	1/18/2008
Federal Home Loan Banks Global Bonds	399,000	399,000	0	-----
Federal Home Loan Banks Consolidation Bonds	495,780	0	495,780	3/28/2008
Totals	<u>\$2,406,407</u>	<u>\$399,000</u>	<u>\$2,007,407</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School District's investment policy requires that, to the extent possible, investments will match anticipated cash flow requirements. No investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. The School District will not directly invest in securities maturing more than five years from the date of the investment. No investments shall be made that will cause the average duration of the portfolio to exceed three and a half years.

Credit Risk

The Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Banks Global Bonds, and Federal Home Loan Banks Consolidation Bonds carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAROhio carries a rating of AAAM by Standard and Poor's. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments by security and institution. No more than fifty percent of the total current portfolio shall be invested in collateralized repurchase agreements and certificates of deposits with any one eligible financial institution. No more than twenty-five percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The School District's investments in Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes, Federal Home Loan Banks Global Bonds, and Federal Home Loan Banks Consolidation Bonds represent 16.64 percent, 37.84 percent, 14.38 percent, and 17.87 percent respectively, of the School District's total investments.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006, and are collected in calendar year 2007 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 – PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30. This year, however, the June 2007 tangible personal property tax was not received until July 2007.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2007, was \$76,386 in the General Fund, \$1,479 in the Classroom Facilities Maintenance Special Revenue Fund, and \$11,432 in the Debt Service Fund. The amount available as an advance at June 30, 2006, was \$75,374 in the General Fund, \$1,454 in the Classroom Facilities Maintenance Special Revenue Fund, and \$11,306 in the Debt Service Fund. The late June personal property tax settlement was recorded as revenue in the General Fund in the amount of \$3,615, the Classroom Facilities Maintenance Special Revenue Fund in the amount of \$71, and in the Debt Service Fund in the amount of \$429.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 6 – PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$64,437,270	93.26%	\$64,866,220	92.88%
Public Utility Personal	3,755,010	5.43%	3,760,940	5.38%
General Business Personal	904,925	1.31%	1,214,262	1.74%
Total Assessed Value	<u>\$69,097,205</u>	<u>100.00%</u>	<u>\$69,841,422</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$31.18	\$31.18
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NOTE 7 – RECEIVABLES

Receivables at June 30, 2007, consisted of property taxes, accounts, intergovernmental grants, accrued interest and interfund. Most receivables are considered collectible in full and will be received within one fiscal year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Excess Cost Reimbursement	\$17,681
Food Service - Federal Reimbursements	39,015
Ohio School Facilities Commission	56,149
CORE Implementation	46,726
Ohio Reads	1,259
IDEA	106,222
Title I	119,208
Title IV - A, Safe and Drug Free Schools	1,267
Title II - A, Improving Teacher Quality	15,060
Title II - D	1,965
Title VI-B, Rural and Low Income	2,398
Total Intergovernmental Receivables	<u>\$406,950</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2007, was as follows:

	Balance at 6/30/06	Additions	Deletions	Balance at 6/30/07
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,743,109	\$0	\$0	\$1,743,109
Capital Assets Being Depreciated:				
Land Improvements	493,881	7,385	0	501,266
Buildings and Improvements	29,162,745	18,833	0	29,181,578
Furniture, Fixtures and Equipment	4,815,240	70,756	(71,589)	4,814,407
Vehicles	1,266,989	133,150	(145,389)	1,254,750
Textbooks and Software	1,127,170	58,129	(25,887)	1,159,412
Total Capital Assets Being Depreciated	36,866,025	288,253	(242,865)	36,911,413
Less Accumulated Depreciation:				
Land Improvements	(120,847)	(15,074)	0	(135,921)
Building and Improvements	(6,030,312)	(567,028)	0	(6,597,340)
Furniture, Fixtures and Equipment	(2,773,341)	(293,804)	61,885	(3,005,260)
Vehicles	(905,934)	(69,469)	137,655	(837,748)
Textbooks and Software	(986,777)	(83,223)	25,534	(1,044,466)
Total Accumulated Depreciation	(10,817,211)	(1,028,598) *	225,074	(11,620,735)
Total Capital Assets Being Depreciated, Net	26,048,814	(740,345)	(17,791)	25,290,678
Governmental Activities Capital Assets, Net	\$27,791,923	(\$740,345)	(\$17,791)	\$27,033,787

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 8 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$440,197
Special	58,923
Vocational	8,893
Student Intervention Services	2,905
Support Services:	
Pupils	33,081
Instructional Staff	96,423
Administration	54,691
Fiscal	11,267
Operation and Maintenance of Plant	82,713
Pupil Transportation	76,506
Operation of Non-Instructional Services:	
Food Service Operations	84,428
Extracurricular Activities	78,571
Total Depreciation Expense	<u><u>\$1,028,598</u></u>

NOTE 9 – RISK MANAGEMENT

A. Property and Liability Insurance

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 2007, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP (See Note 18). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Business Personal Property Coverage Blanket (\$1,000 deductible)	\$39,661,794
Earthquake Limit (\$25,000 deductible)	1,000,000
Flood Limit (\$25,000 deductible)	1,000,000
Equipment Breakdown (Boiler/Machinery Coverage) (\$1,000 deductible)	39,661,794
Special Property Coverage:	
Blanket Audio-Visual Equipment (\$1,000 deductible)	100,000
Blanket Miscellaneous Equipment (\$1,000 deductible)	100,000
Blanket Musical Instruments (\$1,000 deductible)	100,000

(continued)

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – RISK MANAGEMENT (continued)

Electronic Equipment/Media Coverage (\$1,000 deductible):	
Blanket Electronic Equipment	\$500,000
Blanket Electronic Media	50,000
Blanket Extra Expense	5,000
Blanket Business Income	5,000
In Transit Limit	25,000
Crime Coverage:	
Employee Theft - Per Loss Coverage (\$1,000 deductible)	50,000
Forgery or Alteration (\$1,000 deductible)	50,000
Inside the Premises - Theft of Money and Securities (\$1,000 deductible)	25,000
Outside the Premises - Theft of Money and Securities (\$1,000 deductible)	25,000
Computer Fraud (\$1,000 deductible)	50,000
Educational Automobile Liability and Physical Damage Coverages:	
Liability - Any Auto	2,000,000
Medical Payments	5,000
Uninsured/Underinsured Motorists - Owned Autos	1,000,000
Comprehensive - Owned Autos and Hired Autos	Actual Cash Value
Collision - Owned Autos and Hired Autos	Actual Cash Value
Hired Car Physical Damage	75,000
Educational General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit	1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Loss of Electronic Data Limit - Each Electronic Data Incident	50,000
Medical Expense Limit - Any One Person/Accident	10,000
Products - Completed Operations Aggregate Limit	1,000,000
General Aggregate Limit	3,000,000
Fire Legal Liability:	
Any One Event	500,000
Medical Expense - Per Person Limit	10,000
Employee Benefits Liability:	
Employee Benefits Injury - Each Offense	1,000,000
Employee Benefits Injury - Aggregate Limit	3,000,000
Employer Liability:	
Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease - Each Endorsement	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Educational Legal Liability:	
Error and Omissions Injury - Each Wrongful Act (\$2,500 deductible)	1,000,000
Error and Omissions Injury Aggregate Limit	3,000,000
Employment Practices Injury - Each Wrongful Act (\$2,500 deductible)	1,000,000
Employment Practices Injury Aggregate Limit	3,000,000
Declaratory, Equitable and Injunctive Relief Defense	
Aggregate (\$2,500 deductible)	25,000

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 9 – RISK MANAGEMENT (continued)

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

B. Employee Medical and Dental Benefits

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 17), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan.

C. Workers' Compensation

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 18). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$158,866, \$161,880, and \$149,435, respectively; 50.63 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005, were \$798,484, \$806,418, and \$783,768, respectively; 83.70 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$3,056 made by the School District and \$7,358 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2007, 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 of Ohio (STRS Ohio), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and partial 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 Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$61,422 for fiscal year 2007.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Fund was \$3.5 billion. For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility, and retirement status.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$79,458.

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 projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,492 participants eligible to receive 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. Eligible classified employees and administrators 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 employees. Classified union employees may accumulate up to a maximum of 220 days.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 12 – EMPLOYEE BENEFITS (continued)

Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days for teachers, administrators, and classified non-union employees and 47 days for classified union employees. As a further incentive to minimize sick leave usage, 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 has the maximum sick leave accumulation.

B. Insurance Benefits

The School District provides its teachers, administrators and classified nonunion employees with life insurance through SunLife, health and dental insurance through the Scioto County Schools Council, and vision benefits through Vision Service Plan. Classified union employees are provided health, dental, vision, and life insurance plans through their union, The Public Employees of Ohio Teamsters Local Union No. 92. The School District pays the premiums, established by contract, to the union. The union, in turn, pays the insurance provider, Aultcare. All questions and claims regarding these plans are handled through the union.

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 LEASE – 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 were paid to contractors by the School District as the work progressed. The stadium was completed during fiscal year 2003 and was capitalized as buildings and improvements on the Statement of Net Assets for governmental activities in the amount of \$2,081,752. The remaining \$581,752 necessary to complete the construction was provided by the School District. Principal payments in fiscal year 2007 totaled \$147,914.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 13 – CAPITAL LEASE – LESSEE DISCLOSURE (continued)

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 and on a budgetary basis.

The assets acquired through the capital lease are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Buildings and Improvements	<u>\$2,081,752</u>	<u>(\$190,771)</u>	<u>\$1,890,981</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2007.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2008	\$181,759
2009	181,594
2010	181,422
2011	<u>181,241</u>
Total	726,016
Less: Amount Representing Interest	<u>(62,906)</u>
Present Value of Net Minimum Lease Payments	<u>\$663,110</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2007 were as follows:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Amounts Due Within One Year
<u>Governmental Activities:</u>					
1993 EPA Asbestos					
Loan 0.00%	\$23,907	\$0	\$5,312	\$18,595	\$5,312
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	1,030,000	0	125,000	905,000	130,000
Original Issue Capital					
Appreciation Bonds	109,942	0	0	109,942	0
Accretion on Capital					
Appreciation Bonds	101,078	29,452	0	130,530	0
Premium on Debt Issue	73,704	0	14,989	58,715	0
Discount on Debt Issue	(438)	0	(109)	(329)	0
Deferred Loss on Refunding	(60,140)	0	(8,592)	(51,548)	0
1997 Promissory Note					
HB 264 - 5.36%	34,950	0	23,300	11,650	11,650
Capital Lease	811,024	0	147,914	663,110	154,737
Compensated Absences	374,218	123,448	121,448	376,218	65,640
Total Governmental Activities					
Long-Term Obligations	<u>\$2,498,245</u>	<u>\$152,900</u>	<u>\$429,262</u>	<u>\$2,221,883</u>	<u>\$367,339</u>

EPA Asbestos Loan - In 1993, the 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2001 Refunding Classroom Facilities Bonds - On July 1, 2001, the School 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 5.80 percent to 6.45 percent. 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 percent to 5.00 percent. 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 2007, the capital appreciation bonds were accreted \$29,452 with a total accretion amount of \$130,530. Issuance costs associated with the bond issue will be amortized over the term of the bonds. The serial bonds were issued for a fifteen year period with a final maturity during fiscal year 2017. The bonds will be retired from the Debt Service Fund.

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 revenues from the Debt Service Fund.

Capital leases will be paid from the Debt Service Fund. Compensated absences will be paid from the General Fund and the Food Service, Poverty Based Assistance, Title I and Improving Teacher Quality Special Revenue Funds.

The School District's overall legal debt margin was \$5,093,983 with an unvoted debt margin of \$67,877, and an Energy Conservation debt margin of \$599,242 at June 30, 2007.

Principal requirements to retire the EPA Asbestos Loan outstanding at June 30, 2007, are as follows:

<u>EPA Asbestos Loan - 1993</u>	
<u>Fiscal year</u>	
<u>Ending June 30,</u>	<u>Principal</u>
2008	\$5,313
2009	5,312
2010	5,313
2011	2,657
Total	<u><u>\$18,595</u></u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire the 2001 general obligation debt outstanding at June 30, 2007, are as follows:

Fiscal year Ending June 30,	Serial Bonds Principal	Serial Bonds Interest	Capital	Capital	Total
			Appreciation Bonds Principal	Appreciation Bonds Interest	
2008	\$130,000	\$38,610	\$0	\$0	\$168,610
2009	135,000	33,143	0	0	168,143
2010	140,000	27,333	0	0	167,333
2011	0	24,358	42,436	102,564	169,358
2012	0	24,358	35,955	104,045	164,358
2013-2017	500,000	68,170	31,551	108,449	708,170
Total	\$905,000	\$215,972	\$109,942	\$315,058	\$1,545,972

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.

Principal requirements to retire the H. B. 264 Promissory Note outstanding at June 30, 2007, are as follows:

H. B. 264 Promissory Note - 1997			
Fiscal year Ending June 30,	Principal	Interest	Total
2008	\$11,650	\$308	\$11,958

NOTE 15 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2007, were as follows:

		Transfers From
		General Fund
Transfers To	Other	
	Governmental Funds	\$243,872

Transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. A transfer was made from the General Fund to the Debt Service Fund to pay the principal and interest obligations for the capital lease.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 15 – INTERFUND ACTIVITY (continued)

Interfund balances at June 30, 2007, consist of the following individual interfund receivable and payable:

		Receivable
		<u>General Fund</u>
Payable	Other	
	Governmental Funds	<u><u>\$57,408</u></u>

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

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, 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 \$22,100 for membership during the fiscal 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS (continued)

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) 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 Coalition 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 Coalition 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 Coalition. During fiscal year 2007, the School District paid \$300 to the Coalition for services provided during the fiscal year.

C. Pilasco-Ross Special Education Regional Resource Center

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 17 – PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “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, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 18 – INSURANCE PURCHASING POOLS

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2007

NOTE 18 – INSURANCE PURCHASING POOLS (continued)

B. Ohio School Plan

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

NOTE 19 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2006	\$129,229	\$42,841
Current Fiscal Year Set-aside Requirement	247,549	247,549
Current Fiscal Year Offsets	0	(93,541)
Qualifying Disbursements	(259,046)	(248,166)
Set-aside Reserve Balance as of June 30, 2007	\$117,732	(\$51,317)
Required Set-aside Balances Carried Forward to FY 2008	\$117,732	\$0

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2007

NOTE 20 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2007.

B. Litigation

The School District is currently not party to any legal proceedings.

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL GRANTOR <i>Pass-through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education:</i>						
Food Donation	10.550	N/A	\$	\$ 23,661	\$	\$ 23,661
Nutrition Cluster:						
School Breakfast Program	10.553	05PU-2006 05PU-2007	18,609 53,930	-	18,609 53,930	-
Total School Breakfast Program			<u>72,539</u>	<u>0</u>	<u>72,539</u>	<u>0</u>
National School Lunch Program	10.555	LLP1-2007 LLP4-2006 LLP4-2007	1,105 60,254 166,848	-	1,105 60,254 166,848	-
Total National School Lunch Program			<u>228,207</u>	<u>0</u>	<u>228,207</u>	<u>0</u>
Total Nutrition Cluster			<u>300,746</u>	<u>23,661</u>	<u>300,746</u>	<u>23,661</u>
Total United States Department of Agriculture			300,746	23,661	300,746	23,661
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education:</i>						
Title I Grants to Local Educational Agencies	84.010	C1S1-2006 C1S1-2007	58,486 554,744	-	72,713 533,767	-
Total Title I Grants to Local Educational Agencies			<u>613,230</u>	<u>0</u>	<u>606,480</u>	<u>0</u>
Special Education - Grants to States	84.027	6BSF-2006 6BSF-2007	8,214 369,967	-	33,282 366,161	-
Total Special Education - Grants to States			<u>378,181</u>	<u>0</u>	<u>399,443</u>	<u>0</u>
Safe and Drug-Free Schools and Communities - State Grants	84.186	DRS1-2006 DRS1-2007	2,492 11,398	-	2,547 10,794	-
Total Safe and Drug-Free Schools and Communities - State Grants			<u>13,890</u>	<u>0</u>	<u>13,341</u>	<u>0</u>
State Grants for Innovative Programs	84.298	C2S1-2007	2,602	-	2,602	-
Education Technology State Grants	84.318	TJS1-2006 TJS1-2007	4,133 4,466	-	1,345 4,089	-
Total Education Technology State Grants			<u>8,599</u>	<u>0</u>	<u>5,434</u>	<u>0</u>
Rural Education	84.358	RUS1-2007	39,849	-	37,054	-
Improving Teacher Quality State Grants	84.367	TRS1-2006 TRS1-2007	15,911 140,700	-	11,656 128,158	-
Total Improving Teacher Quality State Grants			<u>156,611</u>	<u>0</u>	<u>139,814</u>	<u>0</u>
<i>Passed through Shawnee State University:</i>						
Twenty-First Century Community Learning Centers Grant	84.287	N/A	7,000	0	7,000	0
Total United States Department of Education			<u>1,219,962</u>	<u>0</u>	<u>1,211,168</u>	<u>0</u>
Total Federal Awards Receipts and Expenditures			<u>\$1,520,708</u>	<u>\$ 23,661</u>	<u>\$1,511,914</u>	<u>\$ 23,661</u>

The 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 FISCAL YEAR ENDED JUNE 30, 2007**

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 - CHILD NUTRITION CLUSTER

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

NOTE C - FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 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, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 22, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted a certain matter that we reported to the School District's management in a separate letter dated February 22, 2008.

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www.auditor.state.oh.us

Compliance and Other Matters

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

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 22, 2008



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 apply to its major federal program for the year ended June 30, 2007. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe 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 apply to its major federal program for the year ended June 30, 2007. In a separate letter to the School District's management dated February 22, 2008, we reported an other matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A control deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to administer a federal program such that there is more than a remote likelihood that the School District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

February 22, 2008

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control 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 Grants to Local Education Agencies – CFDA # 84.010
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

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
MARCH 18, 2008**