

**Washington Court House
City School District, Ohio**

Basic Financial Statements

Year Ended June 30, 2008

with Independent Auditors' Report



Mary Taylor, CPA
Auditor of State

Board of Education
Washington Court House City School District
306 Highland Avenue
Washington Court House, Ohio 43160

We have reviewed the *Independent Auditors' Report* of the Washington Court House City School District, Fayette County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Washington Court House City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 13, 2009

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Washington Court House City School District, Ohio:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District, Ohio (the "School District") as of and for the year ended June 30, 2008, 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 the financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District as of June 30, 2008, 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 March 2, 2009 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
March 2, 2009

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The discussion and analysis of the Washington Court House City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review basic financial statements and notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

In total, net assets of governmental activities increased \$9,770,906. This is primarily due to a \$7.5 million increase to the Ohio School Facilities grant award used for the construction of the new facilities.

General revenues accounted for \$26,676,661 of all revenues and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.

The School District had \$21,200,481 in expenses related to governmental activities; only \$4,294,726 of these expenses were offset by program specific charges for services and sales, grants, contributions, and interest. General revenues (primarily grants and entitlements and property taxes) of \$26,676,661 were adequate to provide for the remaining cost of these programs.

Using this Annual Financial Report

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

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
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 2008?” The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current 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. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District’s property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

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

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

Reporting the School District’s Most Significant Funds

Fund Financial Statements

The analysis of the School District’s major funds begins on page 8. Fund financial reports provide detailed information about the School District’s major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District’s most significant funds, which are the General Fund, and the New Building Locally Funded and the Ohio School Facilities Construction Capital Projects Funds.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

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

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

The School District as a Whole

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

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 1 provides a summary of the School District's net assets for fiscal years 2008 and 2007:

Table 1			
Net Assets			
<u>Governmental Activities</u>			
	<u>2008</u>	<u>Restated 2007</u>	<u>Increase/ (Decrease)</u>
Assets			
Current and Other Assets	\$49,067,982	\$66,116,069	(\$17,048,087)
Capital Assets, Net	47,090,929	12,884,294	34,206,635
Total Assets	<u>96,158,911</u>	<u>79,000,363</u>	<u>17,158,548</u>
Liabilities			
Other Liabilities	17,088,313	9,348,909	7,739,404
Long-Term Liabilities	22,362,596	22,714,358	(351,762)
Total Liabilities	<u>39,450,909</u>	<u>32,063,267</u>	<u>7,387,642</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	47,501,345	12,838,464	34,662,881
Restricted	10,512,967	34,904,164	(24,391,197)
Unrestricted (Deficit)	<u>(1,306,310)</u>	<u>(805,532)</u>	<u>(500,778)</u>
Total Net Assets	<u>\$56,708,002</u>	<u>\$46,937,096</u>	<u>\$9,770,906</u>

An increase occurred within total assets when compared to the prior fiscal year. Current and Other Assets decreased \$17,048,087, which was largely related to drops in Investments and Intergovernmental Receivables. The primary factor for these decreases is the Ohio School Facilities Commission Grant that the School District was awarded for the construction of new facilities. The School District received a portion of this grant award and used the monies to pay for its construction expenditures during the fiscal year, which are reflected as additions to capital assets as construction in progress. Capital Assets, Net increased \$34,206,635 due to current fiscal year additions exceeding current fiscal year depreciation.

Total liabilities increased \$7,387,642 when compared to the prior fiscal year, which was mostly related to an increase in Contracts Payable and Retainage Payable for the ongoing school facilities project.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

Restricted net assets experienced a decrease, most of which is related to the ongoing construction of new school facilities. Invested in Capital Assets, Net of Related Debt increased due to the addition to capital assets of construction in progress, while an insignificant portion of the debt proceeds had been spent before fiscal year-end. Unrestricted net assets decreased mainly due to a 2.75 percent increase in salaries, as well as pay increases for those individuals who obtained a higher level of education. The School District also experienced a seven percent increase in benefits and increases in utility expenses.

Table 2 shows the changes in net assets for fiscal years 2008 and 2007.

Table 2
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2008	Restated 2007	
Revenues			
Program Revenues:			
Charges for Services and Sales	\$1,137,939	\$1,072,901	\$65,038
Operating Grants, Contributions, and Interest	3,148,086	2,942,743	205,343
Capital Grants and Contributions	8,701	11,346	(2,645)
Total Program Revenues	<u>4,294,726</u>	<u>4,026,990</u>	<u>267,736</u>
General Revenues:			
Property Taxes	6,283,669	5,218,001	1,065,668
Revenue in Lieu of Taxes	44,804	29,524	15,280
Grants and Entitlements not Restricted to Specific Programs	18,760,011	10,983,651	7,776,360
Contributions and Donations	43,109	53,887	(10,778)
Investment Earnings	1,500,733	1,639,104	(138,371)
Miscellaneous	44,335	60,362	(16,027)
Total General Revenues	<u>26,676,661</u>	<u>17,984,529</u>	<u>8,692,132</u>
Total Revenues	<u>\$30,971,387</u>	<u>\$22,011,519</u>	<u>\$8,959,868</u>

(continued)

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
 Unaudited

Table 2
 Change in Net Assets
 (continued)

	Governmental Activities		Increase/ (Decrease)
	2008	Restated 2007	
Program Expenses			
Instruction:			
Regular	\$9,536,095	\$9,780,262	(\$244,167)
Special	2,417,135	2,455,725	(38,590)
Vocational	89,092	85,832	3,260
Student Intervention Services	22,830	2,975	19,855
Support Services:			
Pupils	868,812	885,766	(16,954)
Instructional Staff	1,101,830	946,937	154,893
Board of Education	25,995	24,129	1,866
Administration	1,652,251	1,711,557	(59,306)
Fiscal	561,201	544,491	16,710
Operation and Maintenance of Plant	1,668,045	1,545,430	122,615
Pupil Transportation	702,310	708,048	(5,738)
Central	75,326	86,053	(10,727)
Operation of Non-Instructional Services	829,251	935,708	(106,457)
Extracurricular Activities	600,827	729,457	(128,630)
Interest and Fiscal Charges	1,049,481	1,051,393	(1,912)
Total Expenses	<u>21,200,481</u>	<u>21,493,763</u>	<u>(293,282)</u>
Change in Net Assets	9,770,906	517,756	9,253,150
Net Assets at Beginning of Year	<u>46,937,096</u>	<u>46,419,340</u>	<u>517,756</u>
Net Assets at End of Year	<u>\$56,708,002</u>	<u>\$46,937,096</u>	<u>\$9,770,906</u>

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues, accounted for \$4,294,726 of total revenues for fiscal year 2008.

The most significant change was in Grants and Entitlements Not Restricted to Specific Programs. The majority of the increase is related to a \$7.5 million amendment increase to the Ohio School Facilities grant award used for the construction of the new facilities.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

As should be expected, Instruction costs represent the largest of the School District's expenses, \$12,065,152 for fiscal year 2008. The Instruction category, however, does not include all activities associated with educating students. Other programs which support the instruction process, including Pupils, Instructional Staff, and Pupil Transportation account for \$2,672,952 of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, \$1,668,045, which increased mainly due to higher energy costs incurred during the fiscal year. Therefore, \$16,406,149 of the School District's expenses are related to the primary functions of providing facilities and delivering education.

The School District's Funds

Information about the School District's most significant funds starts on page 14. Governmental funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$43,248,742 and expenditures of \$55,762,240. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Fund with a decrease of \$10,589,373, which was the result of the School District spending the monies received for the construction of new facilities.

The General Fund balance decreased \$456,162, most of which related to a 2.75 percent increase in salaries as well as pay increases for those individuals who obtained a higher level of education, and a seven percent increase in employee benefits.

The New Building Locally Funded Fund balance increased \$246,304. This was primarily the result of investment earnings due to the School District having invested unspent bond proceeds during fiscal year 2008.

General Fund - Budget Highlights

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

During the course of fiscal year 2008, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. Final budgeted revenues, in the amount of \$16,869,057, were less than original budgeted revenues, in the amount of \$16,898,260. This difference of \$29,203 was insignificant.

The increase in expenditures from the original to the final budget was \$1,060,852. This general increase resulted from a 2.75 percent increase salaries as well as pay increases for those individuals who obtained a higher level of education. The School District also experienced a seven percent increase in benefits and increases in utility expenditures.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

The General Fund's ending unobligated cash balance was \$331,739 above the final budgeted amount.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the School District had \$47,090,929 invested in capital assets (net of accumulated depreciation), an increase of \$34,206,635. Significant additions to capital assets were for construction in progress related to the construction of new educational facilities. For further information regarding the School District's capital assets, refer to Note 8 to the basic financial statements.

Debt

At June 30, 2008, the School District had \$21,019,544 in bonds and bond premium outstanding, \$365,000 of which is due within one year. The School District also had capital lease obligations outstanding of \$79,288, of which \$39,925 is due within one year. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 14 to the basic financial statements.

Current Issues

The Washington Court House City School District consists of five educational buildings which serve 2,299 students as of June 30, 2008. The buildings consist of one high school, one middle school, two elementary schools, and a kindergarten center. In May 2005, the School District voters approved a 4.2 mill bond issue to fund the required local share (26 percent or \$13,946,000) of an Ohio School Facilities Commission project. Also in May 2005, the School District received voter approval of a 2.1 mill bond issue to fund the Locally Funded Initiative (LFI) for the new building project. The LFI will allow the School District to upgrade their new facilities with features that are not covered under the Ohio School Facilities project such as sloped roofs and better windows. The school facilities project will replace all five buildings with four new buildings: one building for kindergarten through second grade, one building for grades three through five, one middle school for grades six through eight, and one high school for grades nine through twelve. During fiscal year 2008, the School District received an amendment to the Ohio School Facilities grant in the amount of \$7,570,250 bringing the total amount of State funding to \$47,264,522. The School District's portion of the total project cost increased by \$2,659,697 for a total local share of \$16,605,697.

Washington Court House City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
Unaudited

In fiscal year 2008, the School District gained 33 new students due to open enrollment. Currently, the School District has approximately 17.5 percent of the students enrolled having an Individual Educational Plan (I.E.P.) while the State average is 10 percent. Of the 17.5 percent, 3.4 percent are eligible for an alternate assessment for severe disabilities while the State average is approximately one percent. This is placing a burden on our General Fund.

At June 30, 2008, the General Fund had a deficit fund balance of \$88,718, which was created by the application of Generally Accepted Accounting Principles. The School District is currently monitoring its financial condition and in anticipation of several retirements during fiscal year 2009, intends on replacing these higher salary employees with less experienced staff to help cut costs. The General Fund had a cash fund balance of \$1,022,870 at June 30, 2008.

Contacting the School District's Financial Management

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

Washington Court House City School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$3,868,038
Cash and Cash Equivalents	21,647,053
Cash and Cash Equivalents with Fiscal Agent	511,963
Investments	4,940,000
Cash and Cash Equivalents with Escrow Agent	85,972
Materials and Supplies Inventory	1,798
Inventory Held for Resale	17,067
Accrued Interest Receivable	329,708
Accounts Receivable	46,964
Intergovernmental Receivable	10,607,582
Property Taxes Receivable	6,755,664
Deferred Charges	256,173
Capital Assets:	
Land and Construction in Progress	44,141,626
Depreciable Capital Assets, Net	<u>2,949,303</u>
<i>Total Assets</i>	<u>96,158,911</u>
<u>Liabilities:</u>	
Accounts Payable	57,997
Contracts Payable	7,487,007
Accrued Wages and Benefits Payable	1,751,646
Intergovernmental Payable	472,580
Accrued Interest Payable	75,431
Matured Compensated Absences Payable	133,478
Retainage Payable	939,169
Claims Payable	216,256
Judgments Payable	13,779
Deferred Revenue	5,940,970
Long-Term Liabilities:	
Due Within One Year	537,919
Due in More Than One Year	<u>21,824,677</u>
<i>Total Liabilities</i>	<u>39,450,909</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	47,501,345
Restricted for:	
Debt Service	459,484
Capital Projects	9,169,374
Other Purposes	884,109
Unrestricted (Deficit)	<u>(1,306,310)</u>
<i>Total Net Assets</i>	<u>\$56,708,002</u>

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Expenses	Program Revenues			Net (Expense)
		Charges for Services and Sales	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Revenue and Changes in Net Assets
					Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$9,536,095	\$497,835	\$115,208	\$0	(\$8,923,052)
Special	2,417,135	5,601	1,846,301	0	(565,233)
Vocational	89,092	0	27,114	0	(61,978)
Student Intervention Services	22,830	0	0	0	(22,830)
Support Services:					
Pupils	868,812	42,981	98,770	0	(727,061)
Instructional Staff	1,101,830	0	315,482	0	(786,348)
Board of Education	25,995	0	0	0	(25,995)
Administration	1,652,251	0	78,990	0	(1,573,261)
Fiscal	561,201	0	0	0	(561,201)
Operation and Maintenance of Plant	1,668,045	4,772	4,218	0	(1,659,055)
Pupil Transportation	702,310	0	97,386	8,701	(596,223)
Central	75,326	0	28,861	0	(46,465)
Operation of Non-Instructional Services:					
Food Service Operations	829,251	355,690	498,472	0	24,911
Extracurricular Activities	600,827	231,060	37,284	0	(332,483)
Interest and Fiscal Charges	1,049,481	0	0	0	(1,049,481)
Total Governmental Activities	\$21,200,481	\$1,137,939	\$3,148,086	\$8,701	(16,905,755)
<u>General Revenues:</u>					
Property Taxes Levied for:					
General Purposes 4,462,979					
Other Purposes 95,542					
Debt Service 1,309,372					
Capital Outlay 415,776					
Grants and Entitlements not Restricted to Specific Programs					
Capital 7,570,250					
Operating 11,189,761					
Payment in Lieu of Taxes 44,804					
Contributions and Donations 43,109					
Investment Earnings 1,500,733					
Miscellaneous 44,335					
Total General Revenues 26,676,661					
Change in Net Assets 9,770,906					
Net Assets at Beginning of Year - Restated (See Note 20) 46,937,096					
Net Assets at End of Year \$56,708,002					

See accompanying notes to the basic financial statements

Washington Court House City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	New Building Locally Funded	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$1,321,827	\$826,130	\$0	\$1,694,550	\$3,842,507
Cash and Cash Equivalents	0	7,000,000	14,647,053	0	21,647,053
Cash and Cash Equivalents with Fiscal Agent	511,963	0	0	0	511,963
Investments	0	0	4,940,000	0	4,940,000
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	25,531	0	0	0	25,531
Cash and Cash Equivalents with Escrow Agent	0	0	85,972	0	85,972
Receivables:					
Property Taxes	4,759,073	0	0	1,996,591	6,755,664
Accounts	181	0	0	1,783	1,964
Intergovernmental	0	0	10,249,907	357,675	10,607,582
Accrued Interest	0	55,476	274,232	0	329,708
Interfund	1,715	0	0	0	1,715
Revenue in Lieu of Taxes	0	0	0	45,000	45,000
Inventory Held for Resale	0	0	0	17,067	17,067
Materials and Supplies Inventory	0	0	0	1,798	1,798
<i>Total Assets</i>	<u>\$6,620,290</u>	<u>\$7,881,606</u>	<u>\$30,197,164</u>	<u>\$4,114,464</u>	<u>\$48,813,524</u>
<u>Liabilities:</u>					
Accounts Payable	\$45,701	\$0	\$0	\$12,296	\$57,997
Contracts Payable	0	300	7,486,707	0	7,487,007
Accrued Wages and Benefits Payable	1,572,675	0	0	178,971	1,751,646
Intergovernmental Payable	413,298	0	0	59,282	472,580
Interfund Payable	0	0	0	1,715	1,715
Retainage Payable from Restricted Assets	0	0	85,972	0	85,972
Retainage Payable	0	0	853,197	0	853,197
Matured Compensated Absences Payable	133,478	0	0	0	133,478
Claims Payable	216,256	0	0	0	216,256
Judgments Payable	13,779	0	0	0	13,779
Deferred Revenue	4,313,821	11,975	10,355,757	2,204,845	16,886,398
<i>Total Liabilities</i>	<u>6,709,008</u>	<u>12,275</u>	<u>18,781,633</u>	<u>2,457,109</u>	<u>27,960,025</u>
<u>Fund Balances:</u>					
Reserved for Encumbrances	172,153	4,913	29,526,695	157,545	29,861,306
Reserved for Property Taxes	445,252	0	0	194,421	639,673
Reserved for Bus Purchases	25,531	0	0	0	25,531
Unreserved, Undesignated (Deficit), Reported in:					
General Fund	(731,654)	0	0	0	(731,654)
Special Revenue Funds	0	0	0	614,855	614,855
Debt Service Fund	0	0	0	616,159	616,159
Capital Projects Funds	0	7,864,418	(18,111,164)	74,375	(10,172,371)
<i>Total Fund Balances (Deficit)</i>	<u>(88,718)</u>	<u>7,869,331</u>	<u>11,415,531</u>	<u>1,657,355</u>	<u>20,853,499</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$6,620,290</u>	<u>\$7,881,606</u>	<u>\$30,197,164</u>	<u>\$4,114,464</u>	<u>\$48,813,524</u>

See accompanying notes to the basic financial statements

Washington Court House City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances \$20,853,499

***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	591,560	
Construction in progress	43,550,066	
Other capital assets	9,852,534	
Accumulated depreciation	(6,903,231)	
Total capital assets	47,090,929	47,090,929

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	175,021	
Intergovernmental	10,607,582	
Investment earnings	117,825	
Payment in lieu of taxes	45,000	
	10,945,428	10,945,428

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. 256,173

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

Bonds payable	(20,759,699)	
Bond premium	(259,845)	
Accrued interest on bonds	(75,431)	
Capital leases	(79,288)	
Compensated absences	(1,263,764)	
Total liabilities	(22,438,027)	(22,438,027)

Net Assets of Governmental Activities \$56,708,002

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	New Building Locally Funded	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>					
Property Taxes	\$4,387,123	\$0	\$0	\$1,788,376	\$6,175,499
Intergovernmental	11,893,803	0	20,255,961	2,125,307	34,275,071
Investment Earnings	45,423	228,113	1,004,990	106,127	1,384,653
Increase in Fair Value of Investments	0	19,391	58,587	0	77,978
Tuition and Fees	496,686	0	0	6,223	502,909
Rent	384	0	0	4,388	4,772
Extracurricular Activities	0	0	0	271,231	271,231
Contributions and Donations	15,050	0	0	65,343	80,393
Customer Sales and Services	527	0	0	358,500	359,027
Revenue in Lieu of Taxes	18,021	0	0	52,892	70,913
Miscellaneous	31,466	0	0	14,830	46,296
Total Revenues	16,888,483	247,504	21,319,538	4,793,217	43,248,742
<u>Expenditures:</u>					
Current:					
Instruction:					
Regular	9,144,335	0	0	171,264	9,315,599
Special	1,649,384	0	0	661,821	2,311,205
Vocational	82,675	0	0	0	82,675
Student Intervention Services	0	0	0	22,830	22,830
Support Services:					
Pupils	674,377	0	0	149,979	824,356
Instructional Staff	696,221	0	0	357,585	1,053,806
Board of Education	21,855	0	0	100	21,955
Administration	1,555,080	0	0	77,220	1,632,300
Fiscal	484,999	0	0	56,694	541,693
Operation and Maintenance of Plant	1,617,592	0	0	6,414	1,624,006
Pupil Transportation	628,948	0	0	65,950	694,898
Central	70,020	0	0	0	70,020
Operation of Non-Instructional Services:					
Food Service Operations	1,383	0	0	793,248	794,631
Extracurricular Activities	302,635	0	0	249,807	552,442
Capital Outlay	33,338	1,200	34,568,911	235,635	34,839,084
Debt Service:					
Principal Retirement	44,785	0	0	425,000	469,785
Interest and Fiscal Charges	7,854	0	0	903,101	910,955
Total Expenditures	17,015,481	1,200	34,568,911	4,176,648	55,762,240
Excess of Revenues Over (Under) Expenditures	(126,998)	246,304	(13,249,373)	616,569	(12,513,498)
<u>Other Financing Sources (Uses):</u>					
Inception of Capital Lease	11,836	0	0	0	11,836
Transfers In	0	0	2,660,000	6,000	2,666,000
Transfers Out	(341,000)	0	0	(2,325,000)	(2,666,000)
Total Other Financing Sources (Uses)	(329,164)	0	2,660,000	(2,319,000)	11,836
Net Change in Fund Balances	(456,162)	246,304	(10,589,373)	(1,702,431)	(12,501,662)
Fund Balances at Beginning of Year - Restated (See Note 20)	367,444	7,623,027	22,004,904	3,359,786	33,355,161
Fund Balances (Deficit) at End of Year	(\$88,718)	\$7,869,331	\$11,415,531	\$1,657,355	\$20,853,499

See accompanying notes to the basic financial statements

Washington Court House City 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, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$12,501,662)

**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	212,597	
Construction in progress additions	34,370,139	
Depreciation expense	(376,101)	
Excess of capital outlay over depreciation expense	34,206,635	34,206,635

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	108,832	
Intergovernmental	(12,395,800)	
Investment earnings	38,345	
Payment in lieu of taxes	(28,732)	
	(12,277,355)	(12,277,355)

Some expenses 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. The difference in the amount interest on the Statement of Activities is the result of the following:

Decrease in accrued interest	1,572	
Amortization of bond issuance costs	(10,046)	
Accretion on bonds	(140,242)	
Amortization of bond premium	10,190	
	(138,526)	(138,526)

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:

Bond payments	425,000	
Capital lease payments	44,785	
Total long-term debt repayment	469,785	469,785

Some capital assets were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets the lease obligation is reported as a liability. (11,836)

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

Decrease in compensated absences payable	23,865	
--	--------	--

Change in Net Assets of Governmental Activities \$9,770,906

See accompanying notes to the basic financial statements

Washington Court House City 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, 2008

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,184,624	\$4,374,984	\$4,356,963	(\$18,021)
Intergovernmental	14,442,774	11,893,803	11,893,803	0
Investment Earnings	57,232	52,698	52,698	0
Tuition and Fees	197,682	496,686	496,686	0
Rent	1,390	384	384	0
Contributions and Donations	2,725	15,050	15,050	0
Customer Sales and Services	6,811	346	346	0
Revenue in Lieu of Taxes	0	0	18,021	18,021
Miscellaneous	5,022	35,106	35,106	0
<i>Total Revenues</i>	16,898,260	16,869,057	16,869,057	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	10,331,294	8,523,706	8,443,994	79,712
Special	1,247,353	1,659,981	1,646,630	13,351
Vocational	60,238	108,950	106,630	2,320
Other	184,868	851,700	850,710	990
Support Services:				
Pupils	491,838	670,903	666,749	4,154
Instructional Staff	453,793	766,339	738,413	27,926
Board of Education	13,716	22,400	21,506	894
Administration	1,145,841	1,604,804	1,584,258	20,546
Fiscal	392,555	549,035	519,940	29,095
Operation and Maintenance of Plant	1,350,585	1,858,527	1,770,961	87,566
Pupil Transportation	486,007	686,655	667,441	19,214
Central	85,028	70,142	69,581	561
Operation of Non-Instructional Services:				
Food Service Operations	801	0	0	0
Extracurricular Activities	259,679	314,790	313,874	916
Capital Outlay	192,468	68,984	24,490	44,494
<i>Total Expenditures</i>	16,696,064	17,756,916	17,425,177	331,739
Excess of Revenues Over (Under) Expenditures	202,196	(887,859)	(556,120)	331,739
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	5	0	0	0
Refund of Prior Year Expenditures	11,890	360	360	0
Transfers Out	(1,875)	(341,000)	(341,000)	0
<i>Total Other Financing Sources (Uses)</i>	10,020	(340,640)	(340,640)	0
<i>Net Change in Fund Balance</i>	212,216	(1,228,499)	(896,760)	331,739
<i>Fund Balance at Beginning of Year</i>	1,581,390	1,581,390	1,581,390	0
<i>Prior Year Encumbrances Appropriated</i>	338,240	338,240	338,240	0
<i>Fund Balance at End of Year</i>	\$2,131,846	\$691,131	\$1,022,870	\$331,739

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$754,933	\$19,267
<i>Total Assets</i>	754,933	\$19,267
<u>Liabilities:</u>		
Accounts Payable	0	\$3,417
Undistributed Monies	0	15,850
<i>Total Liabilities</i>	0	\$19,267
<u>Net Assets:</u>		
Held in Trust for Scholarships	\$754,933	

See accompanying notes to the basic financial statements

Washington Court House City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	Private Purpose Trust
<u>Additions:</u>	
Gifts and Contributions	\$197,799
Interest	20,754
Miscellaneous	29,138
<i>Total Additions</i>	247,691
<u>Deductions:</u>	
Payments in Accordance with Trust Agreements	60,383
<i>Increase in Net Assets</i>	187,308
<i>Net Assets at Beginning of Year</i>	567,625
<i>Net Assets at End of Year</i>	\$754,933

See accompanying notes to the basic financial statements

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

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

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

Today, the School District owns seven facilities: two elementary buildings (Belle Aire and Rose Avenue), one middle school (Washington Middle School), one high school (Washington Senior High), one Educational Service Center (School District office), one kindergarten (Sunnyside), and the Gardner Park Sports Complex.

The School District is located in Fayette County and is staffed by 108 non-certificated employees, and 172 certificated employees who provide services to 2,299 students and other community members.

Reporting Entity:

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

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

The School District participates in two jointly governed organizations and one insurance purchasing pool. These organizations are the Miami Valley Educational Computer Association, the Southwestern Ohio Educational Purchasing Council and the South Central Ohio Insurance Consortium. These organizations are presented in Notes 16 and 17 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Court House City 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.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 ordinarily distinguish between those activities of the School District that are governmental and those that are considered business-type. However, the School District has no activities that are classified as business-type.

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

Fund Financial Statements

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

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.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds:

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

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

New Building Locally Funded Capital Projects Fund - To account for locally funded monies received and expended by the School District in connection with the building and equipping of classroom facilities.

Ohio School Facilities Construction Capital Projects Fund - To account for grant monies received and expended by the School District in connection with contracts entered into by the School District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

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

Fiduciary Funds:

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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 Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

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, revenue in lieu of taxes, tuition and fees, grants, and accrued interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2008, but which were levied to finance fiscal year 2009 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled with the exception of the monies related to the Ohio School Facilities Commission Project, which are invested separately. Monies for all other 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. The School District has monies related to the Ohio School Facilities Commission Project that are invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents" and "Investments" on the financial statements. The School District also has monies held in escrow for retainage related to the school facilities project. These amounts are presented as "Restricted Assets: Cash and Cash Equivalents with Escrow Agent" on the financial statements.

"Cash and Cash Equivalents with Fiscal Agent" represents monies on hand at the fiscal agent for medical insurance cash balances for the self insurance program which began on July 1, 2007 with the South Central Ohio Insurance Consortium.

During fiscal year 2008, the School District's investments were limited to negotiable certificates of deposit which are reported at fair value.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of investment earnings. Investment earnings credited to the General Fund during fiscal year 2008 amounted to \$45,423, which includes \$43,158 from other School District funds.

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

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 and cash equivalents legally required to be set aside by the School District for unspent grant monies restricted for the purchase of buses. Restricted assets in the Ohio School Facilities Construction Capital Projects Fund represent monies still owed to contractors for retainage.

G. Inventory

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets

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

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	5 - 20 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	5 - 10 years
Textbooks	5 - 15 years

I. 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.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Compensated Absences

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

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

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

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

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

M. Net Assets

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

N. Internal Activity

Transfers within governmental activities are eliminated on the government-wide financial statements.

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

O. 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 Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The certificate of estimated resources may be amended during the 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 the final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the 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 of Education during the fiscal year, including all supplemental appropriations.

Q. Bond Premiums/Issuance Costs/Compounded Interest on Capital Appreciation Bonds

For governmental activities, bond premiums and issuance costs 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 year for the compounded interest accrued during the fiscal year. Bond premiums and the compounded interest on the capital appreciation bonds are presented as an addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums are reported as Other Financing Sources/Uses and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2008, the General Fund had a deficit fund balance of \$88,718, which was created by the application of Generally Accepted Accounting Principles. The School District is currently monitoring its financial condition and in anticipation of several retirements during fiscal year 2009, intends on replacing these higher salary employees with less experienced staff to help cut costs. The General Fund had a cash fund balance of \$1,022,870 at June 30, 2008.

The Special Education Part B, Title I, Safe and Drug Free Schools, Improving Teacher Quality, and Miscellaneous Federal Grants Special Revenue Funds also had deficit fund balances of \$69,398, \$72,728, \$1,415, \$23,668, and \$1,419, respectively. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The School District had final appropriations in excess of estimated resources and available fund balances in the Special Education Part B, Title I, Title V, Safe and Drug Free Schools, Early Childhood Special Education, Improving Teacher Quality, and Miscellaneous Federal Grants Special Revenue Funds and the New Building Project Capital Projects Fund in the amounts of \$140,756, \$148,279, \$5,090, \$6,160, \$4,456, \$38,558, \$6,157, and \$12,593,395, respectively.

The School District had original appropriations in excess of estimated resources and available fund balances in the Improving Teacher Quality Special Revenue Fund in the amount of \$53,147.

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

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

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

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

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING (continued)

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. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statement. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance	General Fund
GAAP Basis	(\$456,162)
Adjustments:	
Revenue Accruals	(38,177)
Expenditure Accruals	(84,185)
Encumbrances	(325,511)
Unrecorded Cash - 2008	(692)
Unrecorded Cash - 2007	7,967
Budget Basis	(\$896,760)

NOTE 5 - DEPOSITS AND INVESTMENTS

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

Active deposits 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.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

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

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
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.

Investments: As of June 30, 2008, the School District had \$4,940,000 invested in negotiable certificates of deposit, all of which mature in less than one year. All investments are related to the Ohio School Facilities Commission Project.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the School District's investment policy requires that no investment shall be made unless the Treasurer, at the time of making the investment, reasonably expects it can be held to its maturity. Unless matched to a specific obligation or debt of the School District, the School District will not directly invest in securities maturing more than five years from the date of investment.

At June 30, 2008, the School District had a balance of \$511,963 with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool (See Note 17). The balance is held by the claims administrator in a pooled account which is representative of numerous entities and therefore cannot be included in the risk disclosures reported by the School District. Disclosures for the OME-RESA Self-Insurance Plan as a whole may be obtained from the Plan's fiscal agent, the Jefferson County Educational Service Center. To obtain financial information, write to the Ohio Mid Eastern Regional Educational Service Agency Self-Insurance Plan, Treasurer, Jefferson County ESC, Steubenville, Ohio 43952.

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 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, 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 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007, and are collected in calendar year 2008 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 Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property tax) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value listed as of December 31, 2007. 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 2008 is 6.25 percent. This will be reduced to 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.

The School District receives property taxes from Fayette 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, 2008, are available to finance fiscal year 2008 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, 2008, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is 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 of deferred revenue.

The amount available as an advance at June 30, 2008, was \$639,673 and is recognized as revenue: \$445,252 in the General Fund, \$140,232 in the Bond Retirement Debt Service Fund, \$44,518 in the Permanent Improvement Capital Projects Fund, and \$9,671 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2007, was \$592,988 and consisted of: \$415,092 in the General Fund, \$130,457 in the Bond Retirement Debt Service Fund, \$41,509 in the Permanent Improvement Capital Projects Fund, and \$5,930 in the Classroom Facilities Maintenance Special Revenue Fund.

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

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - PROPERTY TAXES (continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

	2007 Second- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$210,870,960	92.42%	\$214,224,640	92.63%
Public Utility Personal	4,583,870	2.01%	4,583,870	1.98%
General Business Personal	12,700,002	5.57%	12,472,106	5.39%
Total Assessed Value	\$228,154,832	100.00%	\$231,280,616	100.00%
 Tax rate per \$1,000 of assessed valuation	 \$47.85		 \$47.85	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008, consisted of property taxes, accounts, intergovernmental grants, accrued interest, interfund, and revenue in lieu of taxes. All receivables are considered collectible in full and will be received within one year with the exception of the Ohio School Facilities Commission Grant, property taxes, and revenue in lieu of taxes. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facilities. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Revenue in lieu of taxes will be received over the designated period established by the agreements. A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Ohio School Facilities Commission	\$10,249,907
Title I	156,499
Special Education, Part B	140,757
Title II-A, Improving Teacher Quality	38,559
Title II-D, Technology	6,156
Early Childhood Special Education	4,456
Title IV-A, Safe and Drug-Free Schools	6,159
Title V, Innovative Programs	5,089
Total Intergovernmental Receivables	\$10,607,582

The School District was awarded a grant in the amount of \$39,694,272 on June 20, 2005, from the Ohio School Facilities Commission for the construction of new facilities. During fiscal year 2008, the award amount was increased to \$47,264,522.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 – RECEIVABLES (continued)

REVENUE IN LIEU OF TAXES

Beginning in fiscal year 2000, the School District began receiving revenue in lieu of taxes as a result of the revenue sharing agreement entered into between the City of Washington and Willamette Industries Inc. for the purpose of making improvements to a commercial site owned by Willamette Industries. As part of the agreement, Willamette Industries is to pay revenue in lieu of tax payments to the School District.

NOTE 8 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance at</u> 6/30/07	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> 6/30/08
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$591,560	\$0	\$0	\$591,560
Construction in Progress	9,179,927	34,370,139	0	43,550,066
Total Capital Assets Not Being Depreciated	<u>9,771,487</u>	<u>34,370,139</u>	<u>0</u>	<u>44,141,626</u>
Capital Assets Being Depreciated:				
Land Improvements	776,706	89,011	0	865,717
Buildings and Improvements	2,709,684	65,950	0	2,775,634
Furniture, Fixtures, and Equipment	3,892,998	51,762	0	3,944,760
Vehicles	1,301,789	5,874	0	1,307,663
Textbooks	958,760	0	0	958,760
Total Capital Assets Being Depreciated	<u>\$9,639,937</u>	<u>\$212,597</u>	<u>\$0</u>	<u>\$9,852,534</u>

(continued)

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 - CAPITAL ASSETS (continued)

	Balance at 6/30/07	Additions	Deductions	Balance at 6/30/08
Less Accumulated Depreciation:				
Land Improvements	(\$465,364)	(\$42,495)	\$0	(\$507,859)
Buildings and Improvements	(1,049,892)	(85,689)	0	(1,135,581)
Furniture, Fixtures, and Equipment	(3,071,050)	(175,996)	0	(3,247,046)
Vehicles	(993,151)	(60,834)	0	(1,053,985)
Textbooks	(947,673)	(11,087)	0	(958,760)
Total Accumulated Depreciation	(6,527,130)	(376,101) *	0	(6,903,231)
 Total Capital Assets Being Depreciated, Net	 3,112,807	 (163,504)	 0	 2,949,303
 Governmental Activities Capital Assets, Net	 \$12,884,294	 \$34,206,635	 \$0	 \$47,090,929

Additions to Construction in Progress included the construction of new facilities within the School District.

Instruction:	
Regular	\$107,263
Special	36,716
Vocational	4,799
Support Services:	
Pupils	13,537
Instructional Staff	19,557
Board of Education	4,040
Administration	15,347
Fiscal	5,011
Operation and Maintenance of Plant	39,046
Pupil Transportation	55,290
Central	11,406
Operation of Non-Instructional Services:	
Food Service Operations	10,334
Extracurricular Activities	53,755
Total Depreciation Expense	\$376,101

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT

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

General liability insurance is maintained in the amount of \$1,000,000 for each occurrence and \$2,000,000 in the general aggregate. Other liability insurance includes \$1,000,000 for automobile liability. The School District maintains replacement cost insurance on buildings and contents in the blanket amount of \$29,793,247. The School District also carries builders' risk insurance with a \$72,228,843 limit associated with the construction of the new facilities.

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

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

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated on accident history and administrative costs.

The School District provides a limited medical, surgical, and prescription drug insurance program for its employees. The School District joined the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 17), on July 1, 2005. As of July 1, 2005, the School District's medical, surgical, and prescription drug was considered traditional premium insurance. Beginning July 1, 2007, medical, surgical, and prescription drug were all considered self insured programs due to the School District retaining the risk. Claims are paid by the School District to the SCOIC. SCOIC contracts with Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA) for claims servicing. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. The School District pays monthly medical premiums of up to \$1,461 for certified and classified employees for family coverage and up to \$582 for certified and classified employees for single coverage. The premiums paid are used for claims, claim reserves, and administrative costs. The School District had shared risk pool coverage with OME-RESA which covered individual claims in excess of \$50,000 up to \$400,000 per employee per year for medical claims. The School District also had a stop loss coverage insurance policy through SCOIC which covered individual claims in excess of \$400,000 per employee per year for medical claims.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT (continued)

The claims liability of \$216,256 reported in the General Fund at June 30, 2008, is based on an estimate provided by an actuary for medical claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past year, including medical, surgical, and prescription drug, are as follows:

	Balance at Beginning of Year	Current Year Claims	Claims Payments	Balance at End of Year
2008	<u>\$0</u>	<u>\$1,849,801</u>	<u>\$1,633,545</u>	<u>\$216,256</u>

NOTE 10 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer 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.

Funding Policy – 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 2008, 9.16 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 by the SERS’ Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District’s required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were \$198,618, \$244,704, and \$284,576, respectively; 39.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. 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 (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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – For the fiscal year ended June 30, 2008, 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 2007, 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.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,074,340, \$1,165,162, and \$1,189,043, respectively; 90.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$18,228 made by the plan members and \$3,082 made by the School District.

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2008, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$126,160, \$127,186, and \$133,275 respectively; 39.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2008, this actuarially required allocation was 0.66 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 were \$14,311, \$16,640 and \$22,650 respectively; 39.78 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 11 - POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio

Plan Description – The School District contributes to the cost-sharing, multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2008, 2007, and 2006 were \$82,642, \$89,628, and \$91,465 respectively; 90.30 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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-five days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 215 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 53 days for teachers and classified employees. Administrators are paid a percentage of their contract days.

B. Insurance

The School District provides medical, surgical, and prescription drug coverage to employees through the South Central Ohio Insurance Consortium (Note 17).

The School District also provides dental insurance through Delta Dental and vision insurance through Vision Service Plan.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - EMPLOYEE BENEFITS (continued)

C. Deferred Compensation

School District employees may participate in the ING Financial 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 - LEASES - LESSEE DISCLOSURE

During this fiscal year and in prior fiscal years, the School District entered into capitalized leases for copier equipment. All leases meet the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis.

The copier equipment acquired by lease was initially capitalized in the amount of \$220,848 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the Statement of Net Assets for governmental activities. Principal payments in fiscal year 2008 totaled \$44,785 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2008, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$220,848	(\$166,751)	\$54,097

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2008.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 13 - LEASES - LESSEE DISCLOSURE (continued)

Fiscal Year Ending June 30,	Total Payments
2009	\$51,394
2010	24,597
2011	9,876
2012	7,060
2013	1,440
Total	94,367
Less: Amount Representing Interest	(15,079)
Present Value of Net Minimum Lease Payments	\$79,288

In prior years, the School District entered into noncancelable operating leases for the use of modular classrooms during the construction of its new facilities. Operating lease payments are reported as function expenditures in governmental funds and on budgetary statements. Total operating lease payments in fiscal year 2008, the final year of the lease, totaled \$110,600 in the Permanent Improvement Capital Projects Fund.

NOTE 14 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	Amount Outstanding 6/30/07	Additions	Deductions	Amount Outstanding 6/30/08	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement Bonds 5.90%	\$115,000	\$0	\$35,000	\$80,000	\$40,000
2005 Various Purpose School Improvement Bonds:					
Term Bonds 4.375 to 5.00%	15,755,000	0	0	15,755,000	0
Serial Bonds 3.00 to 4.15%	4,020,000	0	390,000	3,630,000	325,000
Capital Appreciation Bonds 1.452%	1,020,000	0	0	1,020,000	0
Accretion on Capital Appreciation Bonds	134,457	140,242	0	274,699	0
Premium on Debt Issue	270,035	0	10,190	259,845	0
Compensated Absences	1,287,629	200,549	224,414	1,263,764	132,994
Capital Leases	112,237	11,836	44,785	79,288	39,925
Total Governmental Activities					
Long-Term Obligations	\$22,714,358	\$352,627	\$704,389	\$22,362,596	\$537,919

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

2000 School Improvement General Obligation Bonds

On September 1, 2000, the School District issued \$300,000 in voted general obligation bonds for the purpose of constructing additions and improvements to Belle Aire Elementary School and acquiring and installing equipment and furnishings. The bonds were issued for a nine year period with final maturity in September 2009. The bonds will be retired from the Debt Service Fund.

2005 Various Purpose School Improvement General Obligation Bonds

On October 1, 2005, the School District issued \$21,000,000 in voted general obligation bonds for the purpose of constructing new classroom facilities. Current interest bonds were issued in an aggregate principal amount of \$19,980,000. Of these bonds, \$4,225,000 are serial bonds and \$15,755,000 are term bonds. The bonds were issued for a twenty-eight year period with final maturity in December 2033. The bonds will be retired from the Debt Service Fund.

The term bonds, issued at \$15,755,000 and maturing on December 1, 2033, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed plus accrued interest to the date of redemption, on December 1, in the fiscal years and in the respective principal amounts as follows:

<u>Year</u>	<u>Amount</u>
2019	\$625,000
2020	650,000
2021	685,000
2022	720,000
2023	755,000
2024	880,000
2025	925,000
2026	970,000
2027	1,015,000
2028	1,070,000
2029	1,075,000
2030	1,130,000
2031	1,230,000
2032	1,285,000
2033	1,340,000
2034	1,400,000
Total	<u><u>\$15,755,000</u></u>

The serial bonds issued at \$4,225,000, with maturity dates of December 1, 2006, to December 1, 2018, are subject to optional redemption, in whole or in part on any date at the option of the issuer on or after December 1, 2010, at the redemption price of 100 percent.

*Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008*

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

The capital appreciation bonds, issued at \$1,020,000, are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2016 and 2017, with a maturity amount of \$1,374,599 in fiscal years 2016 and 2017. For fiscal year 2008, the capital appreciation bonds were accreted \$140,242.

As of June 30, 2008, \$25,296 of the bond proceeds had been spent toward the project.

Compensated absences will be paid from the General, Food Service, Special Education Part B-IDEA, Title I, and Title II-A Improving Teacher Quality Funds. Capital lease obligations will be paid from the General Fund.

The School District's overall legal debt margin was (\$237,937) with an unvoted debt margin of \$218,121 at June 30, 2008. Ohio Revised Code section 133.06(I) allows a school district to incur net indebtedness in excess of the legal debt limitation when necessary to raise the school district's local portion of Ohio School Facilities construction project cost. The School District submitted the issuance of their Various Purpose School Improvement Bonds to the electors prior to the adoption of H.B. 530. H.B. 530 now excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, or personal property owned or leased by a railroad company and used in railroad operations from the definition of tax valuation for the purpose of calculating the legal debt margin for school districts.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2008, are as follows:

School Improvement General Obligation Bonds - 2000			
Fiscal year Ending June 30,	Principal	Interest	Total
2009	\$40,000	\$3,540	\$43,540
2010	40,000	1,180	41,180
Total	\$80,000	\$4,720	\$84,720

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS (continued)

Various Purpose School Improvement General Obligation Bonds - 2005

Fiscal Year Ending June 30,	Term Bonds Principal	Term Bonds Interest	Serial Bonds Principal	Serial Bonds Interest	Capital		Total
					Appreciation Bonds Principal	Appreciation Bonds Interest	
2009	\$0	\$0	\$325,000	\$885,324	\$0	\$0	\$1,210,324
2010	0	0	340,000	873,686	0	0	1,213,686
2011	0	0	425,000	860,299	0	0	1,285,299
2012	0	0	440,000	845,162	0	0	1,285,162
2013	0	0	460,000	828,837	0	0	1,288,837
2014-2018	0	0	1,640,000	2,369,555	1,020,000	1,729,198	6,758,753
2019-2023	3,435,000	3,361,655	0	0	0	0	6,796,655
2024-2028	4,860,000	2,331,780	0	0	0	0	7,191,780
2029-2033	6,060,000	1,012,985	0	0	0	0	7,072,985
2034	1,400,000	30,625	0	0	0	0	1,430,625
Total	\$15,755,000	\$6,737,045	\$3,630,000	\$6,662,863	\$1,020,000	\$1,729,198	\$35,534,106

NOTE 15 - INTERFUND ACTIVITY

As of June 30, 2008, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Receivable
	General
Payable	
Other Governmental Funds	\$1,715
	\$1,715

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

Transfers were made from the General Fund to the District Managed Activities Special Revenue Fund and the Ohio School Facilities Construction Capital Projects Fund in the amounts of \$6,000 and \$335,000, respectively. General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds. A transfer was also made from the Permanent Improvement Capital Projects Fund to the Ohio School Facilities Construction Capital Projects Fund in the amount of \$2,325,000. This transfer was made because the cost of the total project increased significantly and this transfer was the School District's portion of the increased costs.

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS

A. Miami Valley Educational Computer Association

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 24 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a Board of Directors consisting of superintendents and treasurers of the members' school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. The School District paid MVECA \$134,786 for services during the fiscal year. Financial information can be obtained from Dean Reineke, who serves as Director, at 330 E. Enon Road, Yellow Springs, Ohio 45387.

B. Southwestern Ohio Educational Purchasing Council

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 126 school districts in 18 counties. The purpose of SOEPC is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by SOEPC. Each member district has one voting representative. Any district withdrawing from SOEPC forfeits its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations during the one year period. During fiscal year 2008, the School District paid \$1,227 to SOEPC for membership. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Ken Swink, who serves as Director, at 303 Corporate Center Drive, Suite 208, Vandalia, OH 45377.

NOTE 17 – INSURANCE PURCHASING POOL

South Central Ohio Insurance Consortium

The School District is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC's primary purpose and objective is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the superintendent or other designee appointed by each of the members of the SCOIC. Members include the following school districts and governmental entities: Amanda Clearcreek Local School District, Berne Union Local School District, Bloom-Carroll Local School District, Canal Winchester Local School District, Fairfield Local Schools, Fairfield Union Local School District, Lancaster City School District, Fairfield County Board of Mental Retardation, City of Lancaster, Liberty Union-Thurston Local School District, Miami Trace Local School District, and Washington Court House City Schools. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 – INSURANCE PURCHASING POOL (continued)

SCOIC contracts with the Ohio Mid-Eastern Regional Educational Service Agency (OME-RESA), a risk sharing, claims servicing, and insurance purchasing pool, for medical, and prescription drug coverage on a self-insured basis. The SCOIC members are considered self insured and pay a monthly premium to OME-RESA that is actuarially calculated based on the participants' actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. SCOIC members participate in the shared risk pool through OME-RESA for individual claims from \$50,000 to \$400,000. SCOIC members are then covered under stop loss coverage for claims over \$400,000. OME-RESA contracts with Employee Benefits Management Corporation to service the claims of SCOIC members. In the event that the School District would withdraw from SCOIC, the School District would be required to give a one hundred eighty day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. In the event SCOIC members would withdraw from OME-RESA, SCOIC members would be required to give a thirty day notice, be responsible for all run-out claims, and have no rights to share in any surplus funds of OME-RESA. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 600 Washington Street, Baltimore, Ohio 43105.

NOTE 18 - 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 capital acquisitions. Disclosure of this information is required by State statute.

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 - SET-ASIDE CALCULATIONS (continued)

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2007	(\$721,856)	\$0
Current Fiscal Year Set-aside Requirement	352,839	352,839
Qualifying Disbursements	<u>(425,160)</u>	<u>(352,839)</u>
Set-aside Reserve Balance as of June 30, 2008	<u>(\$794,177)</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2009	<u>(\$794,177)</u>	<u>\$0</u>

The School District had offsets and qualifying disbursements during the fiscal year that reduced the set-aside amount below zero for textbooks and instructional materials. This amount may be carried forward to reduce the set-aside requirement of future fiscal years.

Amounts of offsets and qualifying disbursements for capital acquisitions presented in the table were limited to those necessary to reduce the fiscal year-end balance to zero. Although the School District had qualifying disbursements during the fiscal year that would have reduced the set-aside amount for capital acquisitions to below zero, this extra amount may not be used to reduce the set-aside requirements of future fiscal years, therefore the School District has chosen not to present them.

NOTE 19 - CONTRACTUAL COMMITMENTS

The School District contracted for the design and construction of new school buildings. The outstanding construction commitments at June 30, 2008, are:

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 19 - CONTRACTUAL COMMITMENTS (continued)

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/08</u>
Beacon Electric Company	\$3,472,247	\$1,361,187	\$2,111,060
BRH Group, Inc.	50,000	3,360	46,640
C & T Design	771,109	447,441	323,668
Central Fire Protection	291,337	69,607	221,730
Claypool Electric	1,472,748	561,704	911,044
Eckert Fire Protection	334,959	215,903	119,056
Feldkamp Enterprises, Inc.	3,371,767	2,583,522	788,245
Ferguson Construction	20,122,940	13,774,925	6,348,015
Innovative Energy Solutions	420,930	39,220	381,710
Loop Master	2,823,763	2,205,294	618,469
Muetzel Plumbing and Heating	1,211,541	511,274	700,267
Pella Sales, Inc.	938,107	360,603	577,504
Performance Site Management	1,812,058	1,798,536	13,522
Robertson Construction	14,935,095	9,497,147	5,437,948
Ruetschle Architects	4,291,445	3,842,901	448,544
Ruscilli Construction Company, Inc.	3,114,320	1,924,904	1,189,416
Saturn Electric	1,003,025	398,919	604,106
Stan and Associates, Inc.	113,512	26,827	86,685
Weller's Plumbing and Heating	3,942,441	2,695,106	1,247,335
m.a.c. Paran Consulting Services, Inc.	94,300	34,566	59,734
Total	<u>\$64,587,644</u>	<u>\$42,352,946</u>	<u>\$22,234,698</u>

NOTE 20 - RESTATEMENT

For fiscal year 2008, it was determined that the prior fiscal years Taxes Receivable was overstated. The homestead and rollback information along with the Amount Available as an Advance information received in the prior fiscal year was not accurate. Therefore, a restatement was necessary to correct this error in the prior fiscal year.

The effect of these changes resulted in the following restatement of fund balances:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2007	\$1,678,941	\$3,935,924
Restatement of Taxes Receivable	(1,311,497)	(576,138)
Fund Balance, June 30, 2007, as Restated	<u>\$367,444</u>	<u>\$3,359,786</u>

Washington Court House City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 20 – RESTATEMENT (continued)

The effect of these changes resulted in the following restatement of net assets:

	Governmental Activities
Net Assets, June 30, 2007	<u>\$48,824,731</u>
Restatement of Taxes Receivable	<u>(1,887,635)</u>
Net Assets, June 30, 2007, as Restated	<u><u>\$46,937,096</u></u>

NOTE 21 - 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, 2008.

B. Litigation

The School District was party to one legal proceeding during fiscal year 2008. However, this claim was settled before fiscal year-end. The School District is liable to the plaintiff in the amount of \$13,779, which appears as “Judgments Payable” on the balance sheet. The School District is not party to any additional legal proceedings.

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT, OHIO

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2008

<u>Federal Grantor/Program Title</u>	<u>Pass-Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Food Donation	n/a	10.550	\$ 29,062	29,062
Nutrition Cluster:				
School Breakfast Program	05PU-2008	10.553	117,572	117,572
National School Lunch Program	LLP4-2008	10.555	410,363	410,363
Nutrition Cluster Total			<u>527,935</u>	<u>527,935</u>
Total U.S. Department of Agriculture			<u>556,997</u>	<u>556,997</u>
<u>U.S. Department of Education:</u>				
<i>(Passed through Ohio Department of Education)</i>				
Title I Grants to Local Educational Agencies	C1S1-2007	84.010	106,449	62,165
Title I Grants to Local Educational Agencies	C1S1-2008	84.010	417,844	460,608
			<u>524,293</u>	<u>522,773</u>
Special Education Cluster:				
Special Education - Grants to States	6BSF-2007	84.027	142,070	106,138
Special Education - Grants to States	6BSF-2008	84.027	399,041	439,763
Special Education - Preschool Grants	PGS1-2008	84.173	1,036	1,966
Special Education - Preschool Grants	PGS1-2008	84.173	5,730	5,181
Special Education Cluster Total			<u>547,877</u>	<u>553,048</u>
Safe and Drug-Free Schools and Communities	DRS1-2007	84.186	5,513	1,942
Safe and Drug-Free Schools and Communities	DRS1-2008	84.186	5,427	5,603
			<u>10,940</u>	<u>7,545</u>
State Grants for Innovative Programs	C2S1-2007	84.298	884	57
State Grants for Innovative Programs	C2S1-2008	84.298	337	-
			<u>1,221</u>	<u>57</u>
Education Technology State Grants	TJS1-2007	84.318	2,246	2,242
Education Technology State Grants	TJS1-2008	84.318	584	1,523
			<u>2,830</u>	<u>3,765</u>
Improving Teacher Quality State Grants	TRS1-2007	84.367	35,401	16,320
Improving Teacher Quality State Grants	TRS1-2008	84.367	104,212	120,858
			<u>139,613</u>	<u>137,178</u>
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Career and Technical Education - Basic Grants to States	n/a	84.048	5,100	3,606
Total U.S. Department of Education			<u>1,231,874</u>	<u>1,227,972</u>
Total Federal Awards			<u>\$ 1,788,871</u>	<u>1,784,969</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is a summary of the activity of the School District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DONATION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed.

NOTE C - NUTRITION CLUSTER

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Washington Court House City School District, Ohio:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington Court House City School District, Ohio (the "School District") as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency labeled as 2008-2 and described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2008-1.

We noted certain matters that we reported to management of the School District in a separate letter dated March 2, 2009.

This report is intended solely for the information and use of the School District's management, the Board of Education, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
March 2, 2009

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Washington Court House City School District, Ohio:

Compliance

We have audited the compliance of the Washington Court House City School District, Ohio (the "School District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the School District 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 the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the 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.

This report is intended solely for the information and use of the School District's management, the Board of Education, others within the entity, the Ohio Auditor of State and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Clark, Schaefer, Hachett & Co.

Cincinnati, Ohio
March 2, 2009

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT, OHIO
 Schedule of Findings and Questioned Costs
 Year Ended June 30, 2008

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	yes
Noncompliance material to the financial statements noted?	yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors’ report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	no
Identification of major programs:	
Nutrition Cluster:	
CFDA 10.553 – School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
Dollar threshold to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as low-risk auditee?	yes

Section II – Financial Statement Findings

Finding 2008-1 – Budgetary Noncompliance

Ohio Revised Code Section 5705.39 stipulates that total appropriations made during the fiscal year from any fund must not exceed the amount contained in the certificate of estimated resources or the amended certificate of estimated resources which was certified prior to making the appropriation or supplemental appropriation. During our testing of compliance with budgetary requirements, we noted eight funds which had appropriations in excess of estimated resources as of June 30, 2008. We recommend the School District request increased amended certificates from the County Budget Commission as needed whenever the appropriation or supplemental appropriation exceeds the current certificate of estimated resources.

Management response: *The School District will request an amended certificate from the budget commission on a more regular basis to remain in compliance.*

Finding 2008-2 – Restated Financial Statements

As disclosed in Note 20 of the financial statements, the School District restated governmental activities net assets as of June 30, 2007 as well as governmental fund balances by approximately \$1,888,000 due to errors in reporting related to taxes receivable and amounts available for advance. Amounts provided by the County Auditor to the School District were determined to be in error. Prior period adjustments to financial statements are an indicator of a significant deficiency in internal control over financial reporting.

Management response: *This restatement was due to a misunderstanding of the County Auditor on what amounts were required for the financial statements. The prior audit period was during the first year of the County Auditor's first term in office.*

Section III – Federal Award Findings and Questioned Costs

None.

Section IV – Summary of Prior Audit Findings and Questioned Costs

None.



Mary Taylor, CPA
Auditor of State

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT
FAYETTE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 7, 2009