

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**

Basic Financial Statements

Year Ended June 30, 2007

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, 2006 through June 30, 2007. 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

January 17, 2008

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# WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

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**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

## **INDEPENDENT AUDITORS' REPORT**

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

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 (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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, 2007, and the respective changes in financial position thereof and the respective 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 December 19, 2007 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 information 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 the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose 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. 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  
December 19, 2007



**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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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, 2007. 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 \$2,405,391, which represents a five percent increase from the prior fiscal year.

General revenues accounted for \$19,872,164 or 83 percent of all revenues, and reflect the School District's continued dependence on property taxes and unrestricted State entitlements.

The School District had \$21,493,763 in expenses related to governmental activities; only \$4,026,990 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 \$19,872,164 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, 2007*  
Unaudited

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## **Reporting the School District as a Whole**

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2007?” The *Statement of Net Assets* and the *Statement of Activities*, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps answer this question. These 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 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, 2007*  
Unaudited

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**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.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
 Unaudited

**The School District as a Whole**

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

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

Table 1			
Net Assets			
	Governmental Activities		
	2007	2006	Increase/ (Decrease)
<b>Assets</b>			
Current and Other Assets	\$66,800,580	\$69,964,053	(\$3,163,473)
Capital Assets	12,884,294	6,561,010	6,323,284
Total Assets	79,684,874	76,525,063	3,159,811
<b>Liabilities</b>			
Long-Term Liabilities	22,714,358	22,649,058	65,300
Other Liabilities	8,145,785	7,456,665	689,120
Total Liabilities	30,860,143	30,105,723	754,420
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	12,838,464	6,275,427	6,563,037
Restricted	35,480,302	40,438,280	(4,957,978)
Unrestricted (Deficit)	505,965	(294,367)	800,332
Total Net Assets	\$48,824,731	\$46,419,340	\$2,405,391

An increase occurred within total assets when compared to the prior fiscal year. This increase was the result of an increase in capital assets offset by a decrease in current and other assets. The decrease in current and other assets is almost entirely related to intergovernmental receivables. The primary factor for this decrease 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 expenses during the fiscal year which are reflected as additions to capital assets as construction in progress.

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**  
 Unaudited

Total liabilities increased \$754,420 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.

Restricted net assets experienced a decrease, most of which is related to ongoing construction of new school facilities. Net assets 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.

Table 2 shows the changes in net assets for fiscal years 2007 and 2006.

Table 2  
Change in Net Assets

	Governmental Activities		Increase/ (Decrease)
	2007	2006	
<b>Revenues</b>			
Program Revenues:			
Charges for Services and Sales	\$1,072,901	\$977,341	\$95,560
Operating Grants, Contributions, and Interest	2,942,743	2,524,599	418,144
Capital Grants and Contributions	11,346	5,485	5,861
Total Program Revenues	<u>4,026,990</u>	<u>3,507,425</u>	<u>519,565</u>
General Revenues:			
Property Taxes	7,105,636	5,431,647	1,673,989
Payments in Lieu of Taxes	29,524	22,809	6,715
Grants and Entitlements not			
Restricted to Specific Programs	10,983,651	10,226,085	757,566
Investment Earnings	1,639,104	807,156	831,948
Contributions and Donations	53,887	134,382	(80,495)
Gain on Sale of Capital Assets	0	13,733	(13,733)
Miscellaneous	60,362	112,753	(52,391)
Total General Revenues	<u>19,872,164</u>	<u>16,748,565</u>	<u>3,123,599</u>
Extraordinary Item - Insurance Settlement	0	289,957	(289,957)
Total Revenues	<u>\$23,899,154</u>	<u>\$20,545,947</u>	<u>\$3,353,207</u>

*(continued)*

**Washington Court House City School District**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2007**  
**Unaudited**

Table 2  
Change in Net Assets  
*(continued)*

	Governmental Activities		Increase/ (Decrease)
	2007	2006	
<b>Program Expenses</b>			
Instruction:			
Regular	\$9,780,262	\$8,759,460	\$1,020,802
Special	2,455,725	2,232,197	223,528
Vocational	85,832	61,775	24,057
Adult/Continuing	0	200	(200)
Student Intervention Services	2,975	0	2,975
Support Services:			
Pupils	885,766	837,067	48,699
Instructional Staff	946,937	919,519	27,418
Board of Education	24,129	10,516	13,613
Administration	1,711,557	1,631,149	80,408
Fiscal	544,491	535,376	9,115
Operation and Maintenance of Plant	1,545,430	1,806,676	(261,246)
Pupil Transportation	708,048	642,192	65,856
Central	86,053	100,340	(14,287)
Operation of Non-Instructional Services	935,708	810,938	124,770
Extracurricular Activities	729,457	525,409	204,048
Interest and Fiscal Charges	1,051,393	771,323	280,070
Total Expenses	<u>21,493,763</u>	<u>19,644,137</u>	<u>1,849,626</u>
Change in Net Assets	2,405,391	901,810	1,503,581
Net Assets at Beginning of Year	<u>46,419,340</u>	<u>45,517,530</u>	<u>901,810</u>
Net Assets at End of Year	<u><u>\$48,824,731</u></u>	<u><u>\$46,419,340</u></u>	<u><u>\$2,405,391</u></u>

Program revenues, which are primarily represented by charges for tuition, fees, sales, and extracurricular activities, as well as restricted intergovernmental revenues were approximately 17 percent of total revenues for fiscal year 2007. The most significant change was an increase in operating grants and contributions which is due to an increase in State funding for special education.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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As previously mentioned, general revenues were 83 percent of total revenues for fiscal year 2007. The most significant change was in property taxes revenue. Several factors affected property tax revenue growth including a revaluation in 2006, a decrease in tax abatements, and tax bills being sent out earlier which increased the amount available as an advance. Grants and entitlements not restricted to specific programs also increased due to an increase in ADM as a result of open enrollment.

As should be expected, instruction costs represent the largest of the School District's expenses, 57 percent for fiscal year 2007. 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 approximately 12 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, approximately seven percent. Therefore, 76 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. The most significant increase in expenses was in regular instruction and is a result of an increase of 2.75 percent in salaries for staff, as well as pay increases for those individuals who obtained a higher level of 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 \$34,371,087 and expenditures of \$27,763,331. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Construction Fund with an increase of \$4,065,028, which was the result of the School District receiving monies from the classroom facilities grant for the construction of new facilities. At fiscal year-end, much of these monies had not yet been expended on the project.

The General Fund balance increased \$821,031 mostly due to an increase in property tax revenue. Again, this was caused by a revaluation in 2006, a decrease in tax abatements, and tax bills being sent out earlier which increased the amount available as an advance.

The New Building Locally Funded Fund balance increased \$409,294. This was primarily the result of an increase in investment earnings due to the School District having invested unspent bond proceeds during fiscal year 2007.

**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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**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 2007 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 \$16,657,255, were greater than original budgeted revenues, in the amount of \$16,370,420. This difference of less than two percent was insignificant. The difference between the final budgeted revenues and those actually received was also insignificant.

The increase in expenditures from the original to the final budget was less than five percent. This increase was due primarily to an increase in regular instruction relating to an increase of 2.75 percent in salaries for staff, as well as pay increases for those individuals who obtained a higher level of education. The difference in actual expenditures made from the final budget was approximately four percent and was primarily related to capital outlay expenditures. The School District had budgeted to spend resources on modular classrooms to be used during the construction of new facilities and to repair the roof at the high school, but these expenditures were determined to be unnecessary.

The School District's ending unobligated cash balance was \$676,384 above the final budgeted amount.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2007, the School District had \$12,884,294 invested in capital assets (net of accumulated depreciation), an increase of \$6,323,284. 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.



**Washington Court House City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2007*  
Unaudited

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***Debt***

At June 30, 2007, the School District had \$21,044,457 in bonds outstanding, \$425,000 of which is due within one year. The School District also had an outstanding premium on the debt issue of \$270,035 and capital lease obligations outstanding of \$112,237, of which \$43,803 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 seven educational buildings which serve 2,292 students as of June 30, 2007. 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 seven 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.

In fiscal year 2007, the School District gained approximately 100 new students due to open enrollment.

**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](mailto:wch_tres@mveca.org).

## **Basic Financial Statements**

**Washington Court House City School District**  
*Statement of Net Assets*  
*June 30, 2007*

	Governmental Activities
<b><u>Assets:</u></b>	
Equity in Pooled Cash and Cash Equivalents	\$23,855,202
Investments	11,788,992
Cash and Cash Equivalents with Escrow Agent	80,965
Materials and Supplies Inventory	1,798
Inventory Held for Resale	17,067
Accrued Interest Receivable	186,581
Accounts Receivable	49,882
Intergovernmental Receivable	23,373,453
Property Taxes Receivable	7,151,689
Revenue in Lieu of Taxes Receivable	28,732
Deferred Charges	266,219
Capital Assets:	
Land and Construction in Progress	9,771,487
Depreciable Capital Assets, Net	3,112,807
<i>Total Assets</i>	79,684,874
<b><u>Liabilities:</u></b>	
Accounts Payable	275,004
Contracts Payable	978,559
Accrued Wages and Benefits Payable	1,459,338
Intergovernmental Payable	630,147
Accrued Interest Payable	77,003
Matured Compensated Absences Payable	4,716
Retainage Payable	116,141
Deferred Revenue	4,604,877
Long-Term Liabilities:	
Due Within One Year	548,438
Due in More Than One Year	22,165,920
<i>Total Liabilities</i>	30,860,143
<b><u>Net Assets:</u></b>	
Invested in Capital Assets, Net of Related Debt	12,838,464
Restricted for:	
Debt Service	622,015
Capital Projects	34,242,388
Other Purposes	615,899
Unrestricted	505,965
<i>Total Net Assets</i>	\$48,824,731

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
**Statement of Activities**  
For the Fiscal Year Ended June 30, 2007

	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
<b>Governmental Activities</b>					
Instruction:					
Regular	\$9,780,262	\$421,597	\$163,651	\$0	(\$9,195,014)
Special	2,455,725	0	1,694,705	0	(761,020)
Vocational	85,832	0	27,046	0	(58,786)
Student Intervention Services	2,975	0	0	0	(2,975)
Support Services:					
Pupils	885,766	39,628	113,516	0	(732,622)
Instructional Staff	946,937	0	279,723	0	(667,214)
Board of Education	24,129	0	0	0	(24,129)
Administration	1,711,557	0	130,287	0	(1,581,270)
Fiscal	544,491	0	0	0	(544,491)
Operation and Maintenance of Plant	1,545,430	8,450	0	0	(1,536,980)
Pupil Transportation	708,048	0	26,759	11,346	(669,943)
Central	86,053	0	25,646	0	(60,407)
Operation of Non-Instructional Services:					
Food Service Operations	935,708	385,607	413,935	0	(136,166)
Extracurricular Activities	729,457	217,619	67,475	0	(444,363)
Interest and Fiscal Charges	1,051,393	0	0	0	(1,051,393)
<b>Total Governmental Activities</b>	<b>\$21,493,763</b>	<b>\$1,072,901</b>	<b>\$2,942,743</b>	<b>\$11,346</b>	<b>(17,466,773)</b>
<b>General Revenues:</b>					
Property Taxes Levied for:					
General Purposes					5,086,744
Other Purposes					103,108
Debt Service					1,454,071
Capital Outlay					461,713
Grants and Entitlements not Restricted to					
Specific Programs					10,983,651
Payment in Lieu of Taxes					29,524
Contributions and Donations					53,887
Investment Earnings					1,639,104
Miscellaneous					60,362
<b>Total General Revenues</b>					<b>19,872,164</b>
<b>Change in Net Assets</b>					<b>2,405,391</b>
<b>Net Assets at Beginning of Year</b>					<b>46,419,340</b>
<b>Net Assets at End of Year</b>					<b>\$48,824,731</b>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Balance Sheet*  
**Governmental Funds**  
*June 30, 2007*

	General	New Building Locally Funded	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<b><u>Assets:</u></b>					
Equity in Pooled Cash and Cash Equivalents	\$1,903,693	\$4,649,542	\$14,089,944	\$3,195,192	\$23,838,371
Investments	0	2,947,352	8,841,640	0	11,788,992
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	16,831	0	0	0	16,831
Cash and Cash Equivalents with Escrow Agent	0	0	80,965	0	80,965
Receivables:					
Property Taxes	5,103,969	0	0	2,047,720	7,151,689
Accounts	4,000	0	0	45,882	49,882
Intergovernmental	0	0	22,935,619	437,834	23,373,453
Accrued Interest	0	67,846	118,735	0	186,581
Interfund	7,073	0	0	0	7,073
Revenue in Lieu of Taxes	19,982	0	0	8,750	28,732
Inventory Held for Resale	0	0	0	17,067	17,067
Materials and Supplies Inventory	0	0	0	1,798	1,798
<b>Total Assets</b>	<b>\$7,055,548</b>	<b>\$7,664,740</b>	<b>\$46,066,903</b>	<b>\$5,754,243</b>	<b>\$66,541,434</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	\$115,865	\$0	\$5,895	\$153,244	\$275,004
Contracts Payable	11,982	500	966,077	0	978,559
Accrued Wages and Benefits Payable	1,310,938	0	0	148,400	1,459,338
Intergovernmental Payable	540,460	0	0	89,687	630,147
Interfund Payable	0	0	0	7,073	7,073
Retainage Payable	0	0	116,141	0	116,141
Matured Compensated Absences Payable	0	0	0	4,716	4,716
Deferred Revenue	3,397,362	41,213	22,973,886	1,415,199	27,827,660
<b>Total Liabilities</b>	<b>5,376,607</b>	<b>41,713</b>	<b>24,061,999</b>	<b>1,818,319</b>	<b>31,298,638</b>
<b><u>Fund Balances:</u></b>					
Reserved for Encumbrances	149,405	5,813	5,202,452	155,968	5,513,638
Reserved for Property Taxes	1,726,589	0	0	754,034	2,480,623
Reserved for Bus Purchases	16,831	0	0	0	16,831
Unreserved, Undesignated (Deficit), Reported in:					
General Fund	(213,884)	0	0	0	(213,884)
Special Revenue Funds	0	0	0	663,252	663,252
Debt Service Fund	0	0	0	404,404	404,404
Capital Projects Funds	0	7,617,214	16,802,452	1,958,266	26,377,932
<b>Total Fund Balances</b>	<b>1,678,941</b>	<b>7,623,027</b>	<b>22,004,904</b>	<b>3,935,924</b>	<b>35,242,796</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,055,548</b>	<b>\$7,664,740</b>	<b>\$46,066,903</b>	<b>\$5,754,243</b>	<b>\$66,541,434</b>

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, 2007*

**Total Governmental Fund Balances** \$35,242,796

***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	9,179,927	
Other capital assets	9,639,937	
Accumulated depreciation	(6,527,130)	
Total capital assets	12,884,294	12,884,294

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	66,189	
Intergovernmental	23,003,382	
Investment Earnings	79,480	
Contributions and Donations	45,000	
Payment in Lieu of Taxes	28,732	
	23,222,783	23,222,783

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. 266,219

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	(21,044,457)	
Bond Premium	(270,035)	
Accrued interest on bonds	(77,003)	
Capital leases	(112,237)	
Compensated absences	(1,287,629)	
Total liabilities	(22,791,361)	(22,791,361)

**Net Assets of Governmental Activities** \$48,824,731

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, 2007**

	General	New Building Locally Funded	Ohio School Facilities Construction	Other Governmental Funds	Total Governmental Funds
<b><u>Revenues:</u></b>					
Property Taxes	\$5,086,744	\$0	\$0	\$2,018,892	\$7,105,636
Intergovernmental	11,484,012	0	10,367,831	2,510,581	24,362,424
Investment Earnings	113,816	371,304	889,051	115,979	1,490,150
Increase in Fair Value of Investments	0	45,501	103,253	0	148,754
Tuition and Fees	414,794	0	0	6,520	421,314
Rent	2,419	0	0	6,031	8,450
Extracurricular Activities	0	0	0	255,357	255,357
Contributions and Donations	5,450	0	0	115,912	121,362
Customer Sales and Services	283	0	0	387,497	387,780
Payment in Lieu of Taxes	0	0	0	792	792
Miscellaneous	38,316	10	0	30,742	69,068
<b>Total Revenues</b>	<b>17,145,834</b>	<b>416,815</b>	<b>11,360,135</b>	<b>5,448,303</b>	<b>34,371,087</b>
<b><u>Expenditures:</u></b>					
Current:					
Instruction:					
Regular	8,801,356	0	0	205,005	9,006,361
Special	1,617,832	0	0	688,131	2,305,963
Vocational	77,159	0	0	0	77,159
Student Intervention Services	0	0	0	2,975	2,975
Support Services:					
Pupils	652,118	0	0	166,565	818,683
Instructional Staff	583,725	0	0	297,890	881,615
Board of Education	19,396	0	0	0	19,396
Administration	1,460,907	0	0	122,031	1,582,938
Fiscal	470,466	0	0	46,944	517,410
Operation and Maintenance of Plant	1,542,571	0	0	39,060	1,581,631
Pupil Transportation	601,863	0	0	0	601,863
Central	45,665	0	0	36,208	81,873
Operation of Non-Instructional Services:					
Food Service Operations	0	0	0	834,798	834,798
Extracurricular Activities	305,398	0	0	320,569	625,967
Capital Outlay	112,091	7,521	7,295,107	203,273	7,617,992
Debt Service:					
Principal Retirement	42,553	0	0	240,000	282,553
Interest and Fiscal Charges	9,575	0	0	914,579	924,154
<b>Total Expenditures</b>	<b>16,342,675</b>	<b>7,521</b>	<b>7,295,107</b>	<b>4,118,028</b>	<b>27,763,331</b>
Excess of Revenues Over Expenditures	803,159	409,294	4,065,028	1,330,275	6,607,756
<b><u>Other Financing Sources (Uses):</u></b>					
Inception of Capital Lease	20,615	0	0	0	20,615
Transfers In	0	0	0	2,743	2,743
Transfers Out	(2,743)	0	0	0	(2,743)
<b>Total Other Financing Sources (Uses)</b>	<b>17,872</b>	<b>0</b>	<b>0</b>	<b>2,743</b>	<b>20,615</b>
<b>Net Change in Fund Balances</b>	<b>821,031</b>	<b>409,294</b>	<b>4,065,028</b>	<b>1,333,018</b>	<b>6,628,371</b>
<b>Fund Balances at Beginning of Year</b>	<b>857,910</b>	<b>7,213,733</b>	<b>17,939,876</b>	<b>2,602,906</b>	<b>28,614,425</b>
<b>Fund Balances at End of Year</b>	<b>\$1,678,941</b>	<b>\$7,623,027</b>	<b>\$22,004,904</b>	<b>\$3,935,924</b>	<b>\$35,242,796</b>

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, 2007*

**Net Change in Fund Balances - Total Governmental Funds** \$6,628,371

***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	261,123	
Construction in progress additions	6,471,866	
Depreciation expense	<u>(409,705)</u>	
Excess of capital outlay over depreciation expense		6,323,284

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.

Payment in lieu of taxes	28,732	
Intergovernmental	(10,493,525)	
Investment Earnings	1,566	
Miscellaneous	<u>(8,706)</u>	
		(10,471,933)

Governmental funds report the effect of premiums and bond issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Decrease in accrued interest	1,030	
Amortization of bond issuance costs	(10,061)	
Amortization of bond premium	<u>10,213</u>	
		1,182

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	240,000	
Capital lease payments	<u>43,961</u>	
Total long-term debt repayment		283,961

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. (20,615)

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

Increase in compensated absences payable	(210,438)	
Accretion on bonds	<u>(128,421)</u>	
Total (increase)/decrease		<u>(338,859)</u>

**Change in Net Assets of Governmental Activities** \$2,405,391

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, 2007**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b><u>Revenues:</u></b>				
Property Taxes	\$4,302,621	\$4,589,456	\$4,570,838	(\$18,618)
Intergovernmental	11,464,303	11,464,303	11,484,012	19,709
Investment Earnings	155,827	155,827	156,841	1,014
Tuition and Fees	414,790	414,790	414,794	4
Rent	3,292	3,292	3,293	1
Contributions and Donations	5,450	5,450	5,450	0
Customer Sales and Services	13,618	13,618	13,621	3
Miscellaneous	10,519	10,519	10,526	7
<i>Total Revenues</i>	<u>16,370,420</u>	<u>16,657,255</u>	<u>16,659,375</u>	<u>2,120</u>
<b><u>Expenditures:</u></b>				
Current:				
Instruction:				
Regular	7,428,375	8,446,954	8,288,810	158,144
Special	1,599,384	1,618,615	1,602,905	15,710
Vocational	74,721	76,727	76,234	493
Other	560,669	617,308	615,190	2,118
Support Services:				
Pupils	723,103	655,246	648,661	6,585
Instructional Staff	647,820	581,835	567,401	14,434
Board of Education	22,300	22,487	20,365	2,122
Administration	1,571,061	1,508,081	1,475,161	32,920
Fiscal	560,164	526,830	492,489	34,341
Operation and Maintenance of Plant	1,911,263	1,750,662	1,666,231	84,431
Pupil Transportation	602,525	651,752	606,912	44,840
Central	105,365	111,610	51,618	59,992
Operation of Non-Instructional Services:				
Food Service Operations	524	1,724	0	1,724
Extracurricular Activities	338,826	348,493	318,323	30,170
Capital Outlay	316,103	316,103	130,318	185,785
<i>Total Expenditures</i>	<u>16,462,203</u>	<u>17,234,427</u>	<u>16,560,618</u>	<u>673,809</u>
Excess of Revenues Over (Under) Expenditures	<u>(91,783)</u>	<u>(577,172)</u>	<u>98,757</u>	<u>675,929</u>
<b><u>Other Financing Sources (Uses):</u></b>				
Proceeds from Sale of Capital Assets	10	10	10	0
Refund of Prior Year Expenditures	23,780	23,780	23,780	0
Transfers Out	(5,300)	(3,198)	(2,743)	455
<i>Total Other Financing Sources (Uses)</i>	<u>18,490</u>	<u>20,592</u>	<u>21,047</u>	<u>455</u>
<i>Net Change in Fund Balance</i>	(73,293)	(556,580)	119,804	676,384
<i>Fund Balance at Beginning of Year</i>	1,002,039	1,002,039	1,002,039	0
<i>Prior Year Encumbrances Appropriated</i>	<u>459,538</u>	<u>459,538</u>	<u>459,538</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,388,284</u>	<u>\$904,997</u>	<u>\$1,581,381</u>	<u>\$676,384</u>

See accompanying notes to the basic financial statements

**Washington Court House City School District**  
*Statement of Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2007*

	Private Purpose Trust	Agency
<b><u>Assets:</u></b>		
Equity in Pooled Cash and Cash Equivalents	\$538,390	\$31,679
Accounts Receivable	29,235	0
	567,625	31,679
<b><u>Liabilities:</u></b>		
Accounts Payable	0	\$3,417
Undistributed Monies	0	28,262
	0	\$31,679
<b><u>Net Assets:</u></b>		
Held in Trust for Scholarships	\$567,625	

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, 2007*

	Private Purpose Trust
<b><u>Additions:</u></b>	
Gifts and Contributions	\$25,980
Interest	19,957
Miscellaneous	29,442
<i>Total Additions</i>	75,379
<b><u>Deductions:</u></b>	
Payments in Accordance with Trust Agreements	56,909
<i>Increase in Net Assets</i>	18,470
<i>Net Assets at Beginning of Year</i>	549,155
<i>Net Assets at End of Year</i>	\$567,625

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, 2007*

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**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 112 non-certificated employees, and 168 certificated employees who provide services to 2,292 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 insure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Washington 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, 2007*

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**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 three jointly governed organizations and one risk sharing pool. These organizations are the Miami Valley Educational Computer Association, the Hopewell Special Education Regional Resource Center, 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, 2007*

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**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, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

*Governmental Funds:*

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

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

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 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 monies received were from two separate sources: a portion of the proceeds from the sale of bonds, notes, or certificates of indebtedness, except premiums and accrued interest, and all grant monies associated with the project.

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, 2007*

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**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, 2007*

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

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

*Expenses/Expenditures*

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, 2007*

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**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 "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.

During fiscal year 2007, the School District's investments were limited to a certificate of deposit, Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes. Investments are reported at fair value which is based on quoted market prices except for certificates of deposit which are reported at cost.

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 2007 amounted to \$113,816, which includes \$106,678 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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**G. Inventory**

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

**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.

**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 fund 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, bus purchases, and property taxes.

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**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.

The government-wide Statement of Net Assets reports \$35,480,302 of restricted net assets, none of which is restricted by enabling legislation.

**N. Internal Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures 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, 2007*

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**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 a reduction/addition to the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

On the governmental fund financial statements, accrued interest payable and 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, 2007*

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**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Accountability**

At June 30, 2007, the Title V and Drug Free Schools Special Revenue Funds had deficit fund balances of \$888 and \$4,037, 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 original appropriations in excess of estimated resources and available fund balances in the Other Grants and Poverty Aid Special Revenue Funds and the Bond Retirement Debt Service Fund in the amounts of \$6,951, \$6,145, and \$35,000, respectively. 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).
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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING** (continued)

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

	Net Change in Fund Balance
	General Fund
GAAP Basis	\$821,031
Adjustments:	
Revenue Accruals	(478,448)
Expenditure Accruals	120,306
Encumbrances	(338,249)
Unrecorded Cash - 2007	(7,967)
Unrecorded Cash - 2006	3,131
Budget Basis	\$119,804

**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.

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;



**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

**NOTE 5 - DEPOSITS AND INVESTMENTS** (continued)

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, 2007, the School District had the following investments. All investments are related to the Ohio School Facilities Commission Project.

	Fair Value	Investment Maturities in Years		
		Less than 1	1 - 2	Callable
Federal Home Loan Mortgage Corporation Notes	\$490,760	\$0	\$490,760	7/30/2007
Federal Home Loan Mortgage Corporation Notes	817,699	0	817,699	9/22/2007
Federal Home Loan Bank Bonds	2,409,844	2,409,844	0	7/6/2007
Federal Home Loan Bank Bonds	1,934,770	1,934,770	0	9/24/2007
Federal Home Loan Bank Bonds	1,043,763	1,043,763	0	7/11/2007
Federal Home Loan Bank Bonds	995,000	995,000	0	-
Federal Home Loan Bank Bonds	496,095	0	496,095	8/25/2007
Federal National Mortgage Association Notes	2,611,061	2,611,061	0	8/15/2007
Federal National Mortgage Association Notes	990,000	990,000	0	12/27/2007
Totals	<u>\$11,788,992</u>	<u>\$9,984,438</u>	<u>\$1,804,554</u>	

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**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.

*Credit Risk:* The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The School District's investment policy limits investments to those authorized by State statute.

*Concentration of Credit Risk:* The School District's investment policy places no limit on the amount it may invest in any one issuer. The School District's investments in Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes represents 11.09 percent, 58.36 percent, and 30.55 percent, respectively, of the School District's total investments.

**NOTE 6 - PROPERTY TAXES**

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

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

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 6 - PROPERTY TAXES** (continued)

Tangible personal property tax revenue received during calendar year 2007 (other than public utility property tax) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008, and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 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, 2007, was \$2,480,623 and is recognized as revenue: \$1,726,589 in the General Fund, \$543,875 in the Bond Retirement Debt Service Fund, \$172,659 in the Permanent Improvement Capital Projects Fund, and \$37,500 in the Classroom Facilities Maintenance Special Revenue Fund. The amount available as an advance at June 30, 2006, was \$1,743,232 and consisted of: \$1,210,683 in the General Fund, \$381,365 in the Bond Retirement Debt Service Fund, \$121,068 in the Permanent Improvement Capital Projects Fund, and \$30,116 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, 2007*

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**NOTE 6 - PROPERTY TAXES** (continued)

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

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$186,260,640	85.66%	\$210,823,590	89.67%
Public Utility Personal	4,837,710	2.22%	4,599,520	1.96%
General Business Personal	26,350,752	12.12%	19,685,880	8.37%
Total Assessed Value	\$217,449,102	100.00%	\$235,108,990	100.00%
Tax rate per \$1,000 of assessed valuation	\$47.85		\$47.85	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2007, consisted of property taxes, accounts, intergovernmental grants, accrued interest, revenue in lieu of taxes, and interfund. All receivables are considered collectible in full and will be received within one year with the exception of the Ohio School Facilities Commission Grant and property 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. A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Ohio School Facilities Commission	\$22,935,619
Food Service Subsidies	82,868
CORE Implementation	46,726
Title I	106,449
Special Education, Part B	157,517
Title II-A, Improving Teacher Quality	36,713
Title II-D, Technology	3,157
Early Childhood Special Education	3,375
Title IV-A, Safe and Drug-Free Schools	145
Title V, Innovative Programs	884
Total Intergovernmental Receivables	\$23,373,453

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.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

**NOTE 8 - CAPITAL ASSETS**

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

	<u>Balance at</u> <u>6/30/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at</u> <u>6/30/07</u>
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated:				
Land	\$591,560	\$0	\$0	\$591,560
Construction in Progress	2,708,061	6,471,866	0	9,179,927
Total Capital Assets Not Being Depreciated	<u>3,299,621</u>	<u>6,471,866</u>	<u>0</u>	<u>9,771,487</u>
Capital Assets Being Depreciated:				
Land Improvements	768,826	7,880	0	776,706
Buildings and Improvements	2,674,697	34,987	0	2,709,684
Furniture, Fixtures, and Equipment	3,731,180	199,552	(37,734)	3,892,998
Vehicles	1,283,085	18,704	0	1,301,789
Textbooks	958,760	0	0	958,760
Total Capital Assets Being Depreciated	<u>9,416,548</u>	<u>261,123</u>	<u>(37,734)</u>	<u>9,639,937</u>
Less Accumulated Depreciation:				
Land Improvements	(412,766)	(52,598)	0	(465,364)
Buildings and Improvements	(966,349)	(83,543)	0	(1,049,892)
Furniture, Fixtures, and Equipment	(2,922,799)	(185,985)	37,734	(3,071,050)
Vehicles	(927,747)	(65,404)	0	(993,151)
Textbooks	(925,498)	(22,175)	0	(947,673)
Total Accumulated Depreciation	<u>(6,155,159)</u>	<u>(409,705)*</u>	<u>37,734</u>	<u>(6,527,130)</u>
Total Capital Assets Being Depreciated, Net	<u>3,261,389</u>	<u>(148,582)</u>	<u>0</u>	<u>3,112,807</u>
Governmental Activities Capital Assets, Net	<u>\$6,561,010</u>	<u>\$6,323,284</u>	<u>\$0</u>	<u>\$12,884,294</u>

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 8 - CAPITAL ASSETS** (continued)

\*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$144,537
Special	33,200
Vocational	4,836
Support Services:	
Pupils	13,826
Instructional Staff	17,940
Board of Education	4,733
Administration	17,320
Fiscal	5,224
Operation and Maintenance of Plant	34,182
Pupil Transportation	59,731
Central	10,754
Operation of Non-Instructional Services:	
Food Service Operations	10,715
Extracurricular Activities	52,707
Total Depreciation Expense	<u><u>\$409,705</u></u>

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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. In addition, the School District maintains replacement cost insurance on buildings and contents in the blanket amount of \$33,568,335. The School District also carries builders' risk insurance with a \$1,000,000 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.

**NOTE 10 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling toll-free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006 and 2005 were \$259,947, \$311,759 and \$303,852 respectively; 44.32 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

**B. State Teachers Retirement System of Ohio**

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

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 10 - DEFINED BENEFIT PENSION PLANS** (continued)

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

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

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

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$1,165,162, \$1,189,043, and \$1,133,952 respectively; 83.08 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$6,425 made by the School District and \$16,050 made by the plan members.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 11 - POSTEMPLOYMENT BENEFITS**

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care cost will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$89,628 for fiscal year 2007.

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

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, compared to 3.42 percent of covered payroll for fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2007 fiscal year equaled \$126,751.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care at June 30, 2006, (the latest information available), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants eligible to receive benefits.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eligible classified employees and administrators earn ten to twenty-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 210 days. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 52 days for teachers and classified employees. Administrators are paid a percentage of their contract days.

**B. Insurance**

On July 1, 2005, the School District joined the South Central Ohio Insurance Consortium (the "Pool"), a risk-sharing pool, which provides employee health care benefits for all full-time employees who wish to participate in the plan. The Pool consists of political subdivisions who pool risk for basic medical, hospital, surgical, and prescription drug coverage. The School District pays monthly contributions to the Pool, which is used to cover claims and administrative costs, and to purchase excess loss insurance for the plan. The Pool has entered into an agreement for individual and aggregate excess loss coverage with a commercial insurance carrier. From time to time, the Board may require that members make supplementary payments to the Pool when there is reasonable concern that the funds then available to the Pool will not be sufficient to meet the responsibilities of the Pool. All assessments for supplementary payments shall be made proportionately among the members of the Pool. In the event that a member should withdraw from the Pool, the withdrawing member will remain liable for any incurred but unpaid claims or costs outstanding at the time of separation. The withdrawing member also forfeits all rights to participate in the distribution of any surplus funds.

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

**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.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

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**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 \$210,420 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. During fiscal year 2007, the School District entered into new capital leases for copier equipment prior to the full retirement of the old capital leases for copier equipment. Therefore, the balance of \$1,408 remaining on the old leases was eliminated from the financial statements upon entering into the new leases. Principal payments in fiscal year 2007 totaled \$42,553 and were paid from the General Fund.

The assets acquired through capital leases as of June 30, 2007, are as follows:

	Asset Value	Accumulated Depreciation	Net Book Value
Asset:			
Copier Equipment	\$209,012	(\$123,765)	\$85,247

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, 2007.

Fiscal Year Ending June 30,	Total Payments
2008	\$51,199
2009	48,514
2010	21,717
2011	6,996
2012	4,180
Total	132,606
Less: Amount Representing Interest	(20,369)
Present Value of Net Minimum Lease Payments	\$112,237

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 2007 totaled \$124,600 in the Permanent Improvement Capital Projects Fund.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 13 - LEASES - LESSEE DISCLOSURE** (continued)

The following is a schedule of the future minimum lease payments:

Fiscal Year Ending June 30,	Total Payments
2008	\$110,600

**NOTE 14 - LONG-TERM OBLIGATIONS**

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

	Amount Outstanding 6/30/06	Additions	Deductions	Amount Outstanding 6/30/07	Amounts Due in One Year
<u>Governmental Activities:</u>					
General Obligation Bonds:					
2000 School Improvement Bonds 5.90%	\$150,000	\$0	\$35,000	\$115,000	\$35,000
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%	4,225,000	0	205,000	4,020,000	390,000
Capital Appreciation Bonds 1.452%	1,020,000	0	0	1,020,000	0
Accretion on Capital Appreciation Bonds	6,036	128,421	0	134,457	0
Premium on Debt Issue	280,248	0	10,213	270,035	0
Compensated Absences	1,077,191	265,147	54,709	1,287,629	79,635
Capital Leases	135,583	20,615	43,961	112,237	43,803
Total Governmental Activities					
Long-Term Obligations	\$22,649,058	\$414,183	\$348,883	\$22,714,358	\$548,438

**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.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

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 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 and 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.

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 \$1,374,602 in fiscal year 2016 and \$1,374,599 in fiscal year 2017. For fiscal year 2007, the capital appreciation bonds were accreted \$128,421.

As of June 30, 2007, \$23,896 of the bond proceeds had been spent toward the project.

**Washington Court House City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2007

**NOTE 14 - LONG-TERM OBLIGATIONS** (continued)

Compensated absences will be paid from the General, Food Service, Poverty Aid Assistance, 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 \$1,198,088 with an unvoted debt margin of \$1,162,485 at June 30, 2007.

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

School Improvement General Obligation Bonds - 2000			
Fiscal year			
Ending June 30,	Principal	Interest	Total
2008	\$35,000	\$5,753	\$40,753
2009	40,000	3,540	43,540
2010	40,000	1,180	41,180
Total	\$115,000	\$10,473	\$125,473

Various Purpose School Improvement General Obligation Bonds - 2005							
Fiscal Year	Term	Term	Serial	Serial	Capital	Capital	
Ending	Bonds	Bonds	Bonds	Bonds	Appreciation	Appreciation	
June 30,	Principal	Interest	Principal	Interest	Bonds	Bonds	Total
					Principal	Interest	
2008	\$0	\$0	\$390,000	\$897,349	\$0	\$0	\$1,287,349
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
2013-2017	0	0	1,505,000	2,431,140	1,020,000	1,729,201	6,685,341
2018-2022	2,680,000	2,759,624	595,000	767,252	0	0	6,801,876
2023-2027	4,545,000	2,566,905	0	0	0	0	7,111,905
2028-2032	5,790,000	1,289,328	0	0	0	0	7,079,328
2033-2034	2,740,000	121,188	0	0	0	0	2,861,188
Total	\$15,755,000	\$6,737,045	\$4,020,000	\$7,560,212	\$1,020,000	\$1,729,201	\$36,821,458

*Washington Court House City School District  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2007*

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**NOTE 15 - INTERFUND ACTIVITY**

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<b>Receivable</b>
	General
<b>Payable</b>	
Other Governmental Funds	\$7,073

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.

A transfer was made from the General Fund to the District Managed Activities Special Revenue Fund in the amount of \$2,743. General Fund transfers are made to move unrestricted balances to support programs and projects accounted for in other funds.

**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 27 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 member's school districts. The degree of control exercised by any participating school district is limited to its representation on the Board.

**B. Hopewell Special Education Regional Resource Center**

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Eighteen local, city, and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the eighteen school districts or their designee, plus a representative from the Southern Ohio Educational Service Center, a representative from the board of mental retardation and developmental disabilities, two joint vocational school superintendents, and five

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS** (continued)

parents of handicapped children living in the region. The Southern Ohio Educational Service Center acts as fiscal agent. Hopewell receives funding from the contracts with each of the member school districts and federal and State grants. The School District paid \$135,081 to Hopewell during fiscal year 2007 for services received. To obtain financial information write to Hopewell at the Southern Ohio Educational Service Center, 3321 Airborne Road, Wilmington, Ohio 45177.

**C. Southwestern Ohio Educational Purchasing Council**

The School District participates in the Southwestern Ohio Educational Purchasing Council (SOEPC), a purchasing council made up of nearly 100 school districts in 12 counties. The purpose of the council 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 the SOEPC. Each member district has one voting representative. Any district withdrawing from the 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 2007, the School District paid \$300 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 - RISK SHARING POOL**

**South Central Ohio Insurance Consortium**

The School District is a member of the South Central Ohio Insurance Consortium (the "Pool"), a risk sharing pool which provides health insurance. The Pool, which commenced business on January 1, 1996, has members consisting of various political subdivisions. The members originally entered into an irrevocable agreement to remain members of the Pool for a minimum of three years. The School District entered into an agreement on July 1, 2005 for a period of three years ending June 30, 2008. The Pool is governed by a Board of Directors consisting of one director appointed by each member. The Board elects a chairman, a vice chairman and a secretary. The Board is responsible for its own financial matters and the Pool maintains its own books of account. Budgeting and financing of the Pool is subject to the approval of the Board. The School District has no explicit and measurable equity interest in the Pool. The School District has no ongoing financial responsibility other than the three year minimum membership.



*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

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**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.

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2006	(\$657,833)	\$220,517
Current Fiscal Year Set-aside Requirement	344,747	344,747
Current Fiscal Year Offsets	0	(318,458)
Qualifying Disbursements	<u>(408,770)</u>	<u>(246,806)</u>
Set-aside Reserve Balance as of June 30, 2007	<u>(\$721,856)</u>	<u>\$0</u>
Required Set-aside Balances Carried Forward to FY 2008	<u>(\$721,856)</u>	<u>\$0</u>

Although the School District had qualifying disbursements during the fiscal year that may 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 and therefore is not presented as being carried forward to the next fiscal year.

*Washington Court House City School District*  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2007*

**NOTE 19 - CONTRACTUAL COMMITMENTS**

The School District contracted for the design and construction of new school buildings. The outstanding construction commitments at June 30, 2007 are:

Contractor	Contract Amount	Amount Expended	Balance at 6/30/07
ATC Associates Inc.	\$74,806	\$9,511	\$65,295
Beacon Electric Company	3,380,000	0	3,380,000
BRH Group, Inc	50,000	3,360	46,640
Eckert Fire Protection	326,000	14,856	311,144
Feldkamp Enterprises Inc.	3,339,000	0	3,339,000
Ferguson Construction	19,794,000	640,659	19,153,341
Ingle-Barr, Inc.	520,674	518,425	2,249
Loop Master	1,853,516	1,617,964	235,552
Pella Sales Inc.	879,780	0	879,780
Performance Site Management	1,764,067	1,680,438	83,629
Ruetschle Architects	3,681,445	2,784,802	896,643
Ruscilli Construction Company, Inc.	3,114,320	1,020,059	2,094,261
Stan and Associates, Inc.	113,512	22,473	91,039
Weller's Plumbing and Heating	1,257,600	169,114	1,088,486
West End Electric	627,172	625,872	1,300
m.a.c Paran Consulting Services, Inc.	94,300	34,566	59,734
<b>Total</b>	<b>\$40,870,192</b>	<b>\$9,142,099</b>	<b>\$31,728,093</b>

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

**B. Litigation**

The School District is not party to any legal proceedings.

**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT, OHIO**

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2007

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Federal CFDA Number</u>	<u>Receipts</u>	<u>Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
<i>Passed through Ohio Department of Education</i>				
Food Donation	N/A	10.550	36,893	36,893
Nutrition Cluster:				
School Breakfast Program	05-PU	10.553	\$ 46,134	46,134
National School Lunch Program	LL-P4	10.555	231,178	231,178
			<u>277,312</u>	<u>277,312</u>
Total U.S. Department of Agriculture			<u>314,205</u>	<u>314,205</u>
<u>U.S. Department of Education:</u>				
<i>Passed through Ohio Department of Education</i>				
Special Education Cluster:				
Special Education Grants to States	6B-SF	84.027	588,515	534,868
Special Education Preschool Grants	PG - S1	84.173	11,337	6,888
			<u>599,852</u>	<u>541,756</u>
Title I Grants to Local Educational Agencies	C1-S1	84.010	618,428	574,723
Safe and Drug Free Schools and Communities State Grants	DR-S1	84.186	15,659	13,066
State Grants for Innovative Programs	C2-S1	84.298	15,173	16,001
Education Technology State Grants	TJ-S1	84.318	8,682	7,502
Improving Teacher Quality State Grants	TR-S1	84.367	161,036	135,578
<i>(Passed through Great Oaks Institute of Technology and Career Development)</i>				
Vocational Education - Basic Grants to States	N/A	84.048	5,803	5,849
Total U.S. Department of Education			<u>1,424,633</u>	<u>1,294,475</u>
Total Federal Awards			\$ <u>1,738,838</u>	<u>1,608,680</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 DISTRIBUTION

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

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require the School District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Clark, Schaefer, Hackett & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Court House City School District (the School District) as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated December 19, 2007. 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 opinion 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.

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.

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 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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 19, 2007.

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

*Clark, Schaefer, Haskett & Co.*

Cincinnati, Ohio  
December 19, 2007



Clark, Schaefer, Hackett & Co.  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS

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

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

Compliance

We have audited the compliance of Washington Court House City School District (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, 2007. 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, 2007.

## Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 the 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 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 for the information of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Clark, Schaefer, Hachett & Co.*

Cincinnati, Ohio  
December 19, 2007

WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year Ended June 30, 2007

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	none
Significant deficiency(ies) identified not considered to be material weakness(es)?	none
Type of auditors' report issued on compliance for major programs:	unqualified
Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)?	none
Identification of major programs:	
<i>Title I (CFDA #s 84.010)</i>	
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

None.

Section III - Federal Award Findings and Questioned Costs

None.



**WASHINGTON COURT HOUSE CITY SCHOOL DISTRICT**

Schedule of Prior Audit Findings

Year Ended June 30, 2007

**Finding 2006-1 – Expenditures Greater Than Appropriations**

Condition: Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. During our budgetary compliance review at December 31, 2005, we noted that expenditures exceeded appropriations in the Debt Service Fund by \$4,098,069.

Current Status: Two immaterial instances were noted during the current audit and included in the management letter.





**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  
JANUARY 31, 2008**