



Dave Yost • Auditor of State

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

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Washington-Nile Local School District, Scioto County, Ohio, as of June 30, 2010, 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 March 8, 2011, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the School District's basic financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the 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. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 8, 2011

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

As management of the Washington-Nile Local School District, we offer the readers of the School District's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the basic financial statements and additional information that we have provided in the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2010 are as follows:

- In total, net assets of governmental activities decreased \$695,066 from the prior fiscal year.
- General revenues accounted for \$11,339,046. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$4,924,377 of total revenues of \$16,263,423.
- The School District had \$16,958,489 in expenses related to governmental activities; only \$4,924,377 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of \$11,339,046 were not quite adequate to provide for these programs.

Using the Basic Financial Statements

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Reporting the School District as a Whole

One of the most important questions asked about the School District is “How did we do financially during fiscal year 2010?”

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page eight. 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.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2010 and fiscal year 2009:

(Table 1)
Net Assets
Governmental Activities

	2010	2009	Increase/ (Decrease)
<u>Assets:</u>			
Current Assets	\$20,027,560	\$22,079,706	(\$2,052,146)
Capital Assets, Net	26,947,023	26,146,039	800,984
<i>Total Assets</i>	<u>46,974,583</u>	<u>48,225,745</u>	<u>(1,251,162)</u>
<u>Liabilities:</u>			
Other Liabilities	3,622,238	3,902,726	(280,488)
Long-Term Liabilities	1,418,908	1,694,516	(275,608)
<i>Total Liabilities</i>	<u>5,041,146</u>	<u>5,597,242</u>	<u>(556,096)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	26,187,575	25,073,194	1,114,381
Restricted	14,399,485	16,179,996	(1,780,511)
Unrestricted	1,346,377	1,375,313	(28,936)
<i>Total Net Assets</i>	<u>\$41,933,437</u>	<u>\$42,628,503</u>	<u>(\$695,066)</u>

Total Assets decreased \$1,251,162. Current Assets demonstrated a significant decrease of \$2,052,146 as a result of the School District receiving and utilizing monies awarded by the Ohio School Facilities Commission for the construction of a new middle school facility. Capital Assets, Net increased as a result of the continued progress made in relation to the construction of the new middle school facility.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

Total Liabilities decreased \$556,096 when compared to the prior fiscal year. Other Liabilities reflected a significant decrease as a result of a decrease in Accounts Payable. In fiscal year 2009, a liability was accrued for the School District's property insurance. However, for fiscal year 2010, this payment was made prior to fiscal year-end and was not a payable. Also, in fiscal year 2009, the School District ordered equipment and a payable was accrued. However, in fiscal year 2010, such an event did not occur. Long-Term Liabilities decreased as a result of the School District making annual debt service payments on its outstanding bonds and capital lease.

Invested in Capital Assets, Net of Related Debt for governmental activities increased \$1,114,381 as a result of the School District's continued progress on the construction of its new middle school facility. Restricted Net Assets decreased \$1,780,511 as a result of the School District receiving and utilizing monies awarded by the Ohio School Facilities Commission for the construction of a new middle school facility. Unrestricted Net Assets for governmental activities decreased \$28,936 resulting primarily from transfers to Restricted Net Assets to help fund the middle school construction project and to make annual debt service payments.

Table 2 shows the changes in net assets for fiscal years 2010 and 2009.

(Table 2)
Change in Net Assets
Governmental Activities

	2010	2009	Increase/ (Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,643,616	\$1,673,954	(\$30,338)
Operating Grants, Contributions and Interest	3,280,761	2,898,629	382,132
Capital Grants and Contributions	0	29,585	(29,585)
<i>Total Program Revenues</i>	<u>4,924,377</u>	<u>4,602,168</u>	<u>322,209</u>
General Revenues:			
Property Taxes	1,562,539	1,604,407	(41,868)
Grants and Entitlements not Restricted to Specific Programs	9,556,222	25,236,352	(15,680,130)
Contributions and Donations	0	10,000	(10,000)
Investment Earnings	98,330	164,467	(66,137)
Miscellaneous	121,955	44,038	77,917
<i>Total General Revenues</i>	<u>11,339,046</u>	<u>27,059,264</u>	<u>(15,720,218)</u>
<i>Total Revenues</i>	<u>\$16,263,423</u>	<u>\$31,661,432</u>	<u>(\$15,398,009)</u>

(continued)

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

(Table 2)
Change in Net Assets
Governmental Activities
(continued)

	2010	2009	Increase/ (Decrease)
<u>Program Expenses:</u>			
Instruction:			
Regular	\$6,753,734	\$6,960,655	(\$206,921)
Special	2,188,713	2,150,255	38,458
Vocational	104,790	104,549	241
Student Intervention Services	153,650	116,813	36,837
Support Services:			
Pupils	852,597	821,888	30,709
Instructional Staff	972,596	904,038	68,558
Board of Education	80,460	79,160	1,300
Administration	1,131,814	1,106,349	25,465
Fiscal	314,844	265,348	49,496
Operation and Maintenance of Plant	2,068,645	2,667,055	(598,410)
Pupil Transportation	980,563	994,892	(14,329)
Operation of Non-Instructional Services	839,871	805,077	34,794
Extracurricular Activities	420,664	479,044	(58,380)
Interest and Fiscal Charges	95,548	86,653	8,895
<i>Total Expenses</i>	<u>16,958,489</u>	<u>17,541,776</u>	<u>(583,287)</u>
<i>Change in Net Assets</i>	(695,066)	14,119,656	(14,814,722)
<i>Net Assets at Beginning of Year</i>	42,628,503	28,508,847	14,119,656
<i>Net Assets at End of Year</i>	<u>\$41,933,437</u>	<u>\$42,628,503</u>	<u>(\$695,066)</u>

Governmental Activities

Program revenues, which are primarily represented by tuition and fees, charges for extracurricular activities, food service sales, and restricted intergovernmental revenues, were \$4,924,377 of total revenues for fiscal year 2010 and varied significantly from fiscal year 2009. This was the result of the School District receiving additional grants through the American Recovery and Reinvestment Act.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

As stated previously, general revenues represent \$11,339,046 of the School District's total revenues, and decreased significantly when compared to the prior fiscal year. Property Taxes decreased \$41,868, which is insignificant. Grants and Entitlements not Restricted to Specific Programs made up \$9,556,222 of the balance of the School District's general revenues. Such revenues decreased for fiscal year 2010 as a result of the revenue awarded to the School District for the Ohio School Facilities Commission project being recognized during fiscal year 2009. Investment earnings decreased \$66,137 when compared to the prior fiscal year as a result of the School District utilizing its monies to make payments relating to the construction project existing from prior fiscal years instead of having the monies invested during the fiscal year. Other revenue sources, such as contributions and donations, are insignificant and somewhat unpredictable revenue sources.

The major program expense for governmental activities, as expected, is for instruction, which accounts for \$9,200,887 of all governmental expenses. The instruction category, however, does not include all activities associated with educating students as the pupils, instructional staff, and pupil transportation costs have a significant role in delivering education. However, a comparison to the prior fiscal year demonstrates insignificant changes in most areas of expenses except for regular instruction and operation and maintenance of plant. Regular Instruction demonstrated a significant increase as a result of an increase in salaries paid to its employees. Operation and Maintenance of Plant decreased \$598,410, a result of uncapitalized expenses related to the construction of the new middle school facility.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$21,216,273 and expenditures of \$18,016,638. The net change in fund balance for the fiscal year was most significant in the Ohio School Facilities Commission Capital Projects Fund, an increase of \$3,017,462. This increase was due to monies received for the new middle school project.

The net change in fund balance for the fiscal year in the General Fund was an increase of \$10,370, which is insignificant.

General Fund – Budget Highlights

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

During fiscal year 2010, the School District revised its budget as it attempted to deal with unexpected changes in revenues and expenditures. A summary of the General Fund's original and final budgeted amounts is listed on page 17, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2010

Unaudited

For the General Fund, final estimated revenues were \$12,288,765, with original estimated revenues of \$12,182,501, an insignificant increase of \$106,264.

Final estimated expenditures were \$12,041,879, with original estimated expenditures of \$13,384,984. The largest savings were realized in the Student Intervention Services, Support Services – Operation and Maintenance of Plant, and Extracurricular Activities functions. The decrease in the Student Intervention Services function was the result of the School District paying for an instructor from ARRA funding during fiscal year 2010, which was accounted for in a different fund. The decrease in Support Services – Operation and Maintenance of Plant was the result of utility billings being paid from ARRA funding during fiscal year 2010, which was accounted for in a different fund, as well as the School District making efforts to scale down on preventative maintenance and only expend monies when needed. The decrease in Extracurricular Activities was the result of the School District budgeting for trips that did not occur during fiscal year 2010, as well as some activities not costing as much as originally anticipated due to cost saving actions.

Capital Assets

At the end of fiscal year 2010, the School District had \$26,947,023 invested in capital assets (net of accumulated depreciation), an increase of \$800,984 from the prior fiscal year. This increase occurred due to continued work being performed on the School District's Ohio School Facilities Commission project. For additional information regarding the School District's capital assets, refer to Note 8 in the basic financial statements.

Debt

At June 30, 2010, the School District had \$2,659 outstanding on the EPA Asbestos loan, all of which is due within one year, and \$500,000 in serial bonds outstanding, none of which is due within one year. The School District had capital appreciation bonds outstanding of \$109,942, of which \$42,435 is due within one year. The School District also had accretion on capital appreciation bonds of \$245,916, an outstanding premium of \$13,748, a deferred loss on the early retirement of debt of \$25,774, and a capital lease obligation of \$177,155, all of which is due within one year. For further information regarding the School District's long-term obligations, refer to Note 14 in the basic financial statements

Contacting the School District's Financial Management

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

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WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$6,470,045
Cash and Cash Equivalents	2,638,268
Investments	366,161
Materials and Supplies Inventory	40,832
Inventory Held for Resale	5,238
Accrued Interest Receivable	51,297
Accounts Receivable	20,555
Intergovernmental Receivable	8,490,658
Prepaid Items	13,395
Property Taxes Receivable	1,915,488
Deferred Charges	15,623
Capital Assets:	
Land and Construction in Progress	3,774,192
Depreciable Capital Assets, Net	<u>23,172,831</u>
<i>Total Assets</i>	<u>46,974,583</u>
<u>Liabilities:</u>	
Accounts Payable	68,021
Contracts Payable	439,782
Accrued Wages and Benefits Payable	1,227,051
Intergovernmental Payable	403,178
Retainage Payable	10,616
Deferred Revenue	1,454,466
Accrued Interest Payable	19,124
Long-Term Liabilities:	
Due Within One Year	313,374
Due in More Than One Year	<u>1,105,534</u>
<i>Total Liabilities</i>	<u>5,041,146</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	26,187,575
Restricted for Debt Service	569,150
Restricted for Capital Projects	13,069,687
Restricted for Other Purposes	592,923
Restricted for Set-Asides	167,725
Unrestricted	<u>1,346,377</u>
<i>Total Net Assets</i>	<u><u>\$41,933,437</u></u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2010

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Charges for	Operating Grants, Contributions and Interest	Total	
Expenses	Services and Sales		Governmental Activities	
<u>Governmental Activities:</u>				
Instruction:				
Regular	\$6,753,734	\$1,126,601	\$309,995	(\$5,317,138)
Special	2,188,713	0	1,773,692	(415,021)
Vocational	104,790	0	11,553	(93,237)
Student Intervention Services	153,650	0	102,028	(51,622)
Support Services:				
Pupils	852,597	0	77,210	(775,387)
Instructional Staff	972,596	0	433,702	(538,894)
Board of Education	80,460	0	0	(80,460)
Administration	1,131,814	0	64,581	(1,067,233)
Fiscal	314,844	0	0	(314,844)
Operation and Maintenance of Plant	2,068,645	0	0	(2,068,645)
Pupil Transportation	980,563	6,609	39,826	(934,128)
Operation of Non-Instructional Services:				
Food Service Operations	766,534	299,371	468,174	1,011
Other	73,337	0	0	(73,337)
Extracurricular Activities	420,664	211,035	0	(209,629)
Interest and Fiscal Charges	95,548	0	0	(95,548)
<i>Total Governmental Activities</i>	<u>\$16,958,489</u>	<u>\$1,643,616</u>	<u>\$3,280,761</u>	<u>(12,034,112)</u>

General Revenues:

Property Taxes Levied for:

General Purposes	1,340,769
Facilities Maintenance	24,092
Debt Service	197,678
Grants and Entitlements not Restricted to Specific Programs	9,556,222
Investment Earnings	98,330
Miscellaneous	121,955

Total General Revenues 11,339,046

Change in Net Assets (695,066)

Net Assets at Beginning of Year 42,628,503

Net Assets at End of Year \$41,933,437

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2010

	General	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$2,797,427	\$2,160,734	\$1,343,192	\$6,301,353
Cash and Cash Equivalents	0	2,600,000	38,268	2,638,268
Investments	0	320,262	45,899	366,161
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	168,692	0	0	168,692
Receivables:				
Property Taxes	1,652,609	0	262,879	1,915,488
Accounts	6,847	7,650	6,058	20,555
Intergovernmental	11,907	8,093,906	384,845	8,490,658
Accrued Interest	43,850	7,447	0	51,297
Interfund	32,133	0	0	32,133
Prepaid Items	13,245	0	150	13,395
Materials and Supplies Inventory	39,326	0	1,506	40,832
Inventory Held for Resale	0	0	5,238	5,238
Total Assets	\$4,766,036	\$13,189,999	\$2,088,035	\$20,044,070
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$28,251	\$0	\$39,770	\$68,021
Contracts Payable	0	439,782	0	439,782
Accrued Wages and Benefits Payable	989,817	0	237,234	1,227,051
Intergovernmental Payable	332,375	0	70,803	403,178
Interfund Payable	0	0	32,133	32,133
Retainage Payable	0	10,616	0	10,616
Deferred Revenue	1,578,589	8,070,071	481,851	10,130,511
Total Liabilities	2,929,032	8,520,469	861,791	12,311,292
<u>Fund Balances:</u>				
Reserved for Encumbrances	143,983	1,810,549	67,550	2,022,082
Reserved for Property Taxes	121,042	0	20,262	141,304
Reserved for Textbooks and Instructional Materials	167,725	0	0	167,725
Reserved for Bus Purchases	967	0	0	967
Unreserved:				
Designated for Future Severance Payments	252,906	0	0	252,906
Unreserved, Undesignated, Reported in:				
General Fund	1,150,381	0	0	1,150,381
Special Revenue Funds	0	0	279,468	279,468
Debt Service Fund	0	0	529,845	529,845
Capital Projects Funds	0	2,858,981	329,119	3,188,100
Total Fund Balances	1,837,004	4,669,530	1,226,244	7,732,778
Total Liabilities and Fund Balances	\$4,766,036	\$13,189,999	\$2,088,035	\$20,044,070

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2010

Total Governmental Fund Balances \$7,732,778

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

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

Land	1,852,309	
Construction in progress	1,921,883	
Other capital assets	35,395,204	
Accumulated depreciation	(12,222,373)	
Total capital assets		26,947,023

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	319,718	
Intergovernmental	8,296,512	
Investment earnings	49,432	
Customer sales and services	10,383	
		8,676,045

Bond issuance costs reported as an expenditure in governmental funds are recognized as an asset and allocated as an expense over the life of the debt on a full accrual basis. 15,623

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

Bonds and loans payable	(612,601)	
Loss on Refunding	25,774	
Accretion on bonds	(245,916)	
Premium on debt issue	(13,748)	
Accrued interest on bonds	(19,124)	
Capital lease	(177,155)	
Compensated absences	(395,262)	
Total liabilities		(1,438,032)

Net Assets of Governmental Activities \$41,933,437

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General	Ohio School Facilities Commission	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$1,318,074	\$0	\$217,703	\$1,535,777
Intergovernmental	9,710,810	5,073,557	3,042,939	17,827,306
Investment Earnings	76,182	14,044	811	91,037
Tuition and Fees	1,080,926	0	0	1,080,926
Extracurricular Activities	0	0	209,382	209,382
Customer Sales and Services	49,775	0	299,615	349,390
Contributions and Donations	500	0	0	500
Miscellaneous	93,761	8,200	19,994	121,955
<i>Total Revenues</i>	<u>12,330,028</u>	<u>5,095,801</u>	<u>3,790,444</u>	<u>21,216,273</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	6,187,899	0	309,203	6,497,102
Special	1,206,169	0	911,170	2,117,339
Vocational	98,200	0	0	98,200
Student Intervention Services	38,428	0	112,433	150,861
Support Services:				
Pupils	738,840	0	84,923	823,763
Instructional Staff	443,160	0	487,356	930,516
Board of Education	80,460	0	0	80,460
Administration	1,037,426	0	55,546	1,092,972
Fiscal	284,119	0	5,587	289,706
Operation and Maintenance of Plant	948,989	47,418	510,709	1,507,116
Pupil Transportation	767,107	0	81,310	848,417
Operation of Non-Instructional Services:				
Food Service Operations	380	0	766,534	766,914
Extracurricular Activities	118,930	0	227,156	346,086
Capital Outlay	0	2,030,921	82,187	2,113,108
Debt Service:				
Principal Retirement	0	0	314,655	314,655
Interest and Fiscal Charges	0	0	39,423	39,423
<i>Total Expenditures</i>	<u>11,950,107</u>	<u>2,078,339</u>	<u>3,988,192</u>	<u>18,016,638</u>
Excess of Revenues Over (Under) Expenditures	<u>379,921</u>	<u>3,017,462</u>	<u>(197,748)</u>	<u>3,199,635</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	388	0	0	388
Transfers In	0	0	369,939	369,939
Transfers Out	(369,939)	0	0	(369,939)
<i>Total Other Financing Sources (Uses)</i>	<u>(369,551)</u>	<u>0</u>	<u>369,939</u>	<u>388</u>
<i>Net Change in Fund Balances</i>	10,370	3,017,462	172,191	3,200,023
<i>Fund Balances at Beginning of Year</i>	<u>1,826,634</u>	<u>1,652,068</u>	<u>1,054,053</u>	<u>4,532,755</u>
<i>Fund Balances at End of Year</i>	<u><u>\$1,837,004</u></u>	<u><u>\$4,669,530</u></u>	<u><u>\$1,226,244</u></u>	<u><u>\$7,732,778</u></u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Fiscal Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$3,200,023

*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	134,774	
Construction in progress additions	1,479,373	
Depreciation expense	(811,159)	
Excess of capital outlay over depreciation expense	802,988	802,988

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

Proceeds from the sale of capital assets	(388)	
Loss on disposal of capital assets	(1,616)	
	(2,004)	(2,004)

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

Delinquent property taxes	26,762	
Intergovernmental	(4,991,294)	
Investment earnings	7,764	
Tuition and fees	2,509	
Extracurricular activities	1,653	
Customer sales and services	(244)	
	(4,952,850)	(4,952,850)

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

Amortization of bond issuance costs	(2,233)	
Amortization of bond premium	14,989	
Amortization of bond discount	(111)	
Amortization of deferred loss on early retirement	(8,591)	
Increase in accrued interest payable	(16,598)	
Accretion on bonds	(43,581)	
	(56,125)	(56,125)

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

Loan principal retirement	5,312	
Bond payments	140,000	
Capital lease payments	169,343	
Total long-term debt repayment	314,655	314,655

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	(1,753)	
--	---------	--

Change in Net Assets of Governmental Activities (\$695,066)

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budget Amounts</u>		Actual	Variance With Final Budget Over/(Under)
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Property Taxes	\$1,296,500	\$1,301,209	\$1,301,209	\$0
Intergovernmental	9,533,701	9,703,607	9,703,607	0
Investment Earnings	160,000	61,666	61,666	0
Tuition and Fees	1,041,800	1,081,265	1,081,265	0
Customer Sales and Services	35,000	47,077	47,077	0
Contributions and Donations	500	500	500	0
Miscellaneous	115,000	93,441	93,441	0
<i>Total Revenues</i>	<u>12,182,501</u>	<u>12,288,765</u>	<u>12,288,765</u>	<u>0</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,800,419	6,073,002	6,073,002	0
Special	1,262,482	1,176,710	1,176,710	0
Vocational	103,989	98,311	98,311	0
Student Intervention Services	108,233	37,673	37,673	0
Support Services:				
Pupils	842,366	729,504	729,504	0
Instructional Staff	629,132	457,989	457,989	0
Board of Education	122,364	100,608	100,608	0
Administration	1,077,702	1,042,209	1,042,209	0
Fiscal	295,820	275,854	275,854	0
Operation and Maintenance of Plant	1,802,334	1,124,024	1,124,024	0
Pupil Transportation	1,085,908	809,367	809,367	0
Operation of Non-Instructional Services:				
Food Service Operations	12,000	669	669	0
Extracurricular Activities	153,635	115,959	115,959	0
Capital Outlay	88,600	0	0	0
<i>Total Expenditures</i>	<u>13,384,984</u>	<u>12,041,879</u>	<u>12,041,879</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,202,483)</u>	<u>246,886</u>	<u>246,886</u>	<u>0</u>
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	500	388	388	0
Refund of Prior Year Expenditures	50	0	0	0
Transfers In	40,000	0	0	0
Advances In	5,974	5,974	5,974	0
Transfers Out	(351,746)	(369,939)	(369,939)	0
Advances Out	0	(32,133)	(32,133)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(305,222)</u>	<u>(395,710)</u>	<u>(395,710)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(1,507,705)	(148,824)	(148,824)	0
<i>Fund Balance at Beginning of Year</i>	2,536,805	2,536,805	2,536,805	0
<i>Prior Year Encumbrances Appropriated</i>	<u>407,053</u>	<u>407,053</u>	<u>407,053</u>	<u>0</u>
<i>Fund Balance at End of Year</i>	<u>\$1,436,153</u>	<u>\$2,795,034</u>	<u>\$2,795,034</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2010

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$109,115	\$19,318
Receivables:		
Accrued Interest	698	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	109,813	<u><u>\$19,318</u></u>
<u>Liabilities:</u>		
Undistributed Monies	0	<u><u>\$19,318</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>\$109,813</u></u>	

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets

Fiduciary Fund

For the Fiscal Year Ended June 30, 2010

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<u>Additions:</u>	
Investment Earnings	\$2,086
Gifts and Donations	<u>8,957</u>
<i>Total Additions</i>	11,043
<u>Deductions:</u>	
Scholarships	<u>2,000</u>
<i>Change in Net Assets</i>	9,043
<i>Net Assets at Beginning of Year</i>	<u>100,770</u>
<i>Net Assets at End of Year</i>	<u><u>\$109,813</u></u>

See accompanying notes to the basic financial statements

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WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately 68 square miles. It is located in Scioto County and is composed of Washington and Nile Townships. It is staffed by 66 non-certificated employees, 115 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,603 students and other community members. The School District currently operates three buildings.

Reporting Entity

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

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

The School District participates in five organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and one as an insurance purchasing pool. These organizations are presented in Note 16 to the basic financial statements.

Jointly Governed Organizations:

South Central Ohio Computer Association
Coalition of Rural and Appalachian Schools
Metropolitan Educational Council

Public Entity Shared Risk Pool:

Scioto County Schools Council

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

(continued)

Insurance Purchasing Pool:

Ohio School Boards Association Workers' Compensation Group Rating
Plan

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The government-wide statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type; however, the School District has no business-type activities.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Accounting

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

Governmental Funds

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

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

Ohio School Facilities Commission Capital Projects Fund – This Fund is used 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 other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds

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

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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 60 days of fiscal year-end.

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2010, but which were levied to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Expenses/Expenditures

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

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

Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled with investments with the exception of a portion of the monies associated with the Ohio School Facilities Commission building project. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements. The School District has monies related to the Ohio School Facilities Commission building project and the School District's local share of the project invested separately from the School District's internal investment pool. These amounts are presented as "Cash and Cash Equivalents" and "Investments" on the financial statements.

During fiscal year 2010, the School District's investments were limited to Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, and the State Treasury Asset Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2010.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2010 amounted to \$76,182, which includes \$19,396 from other School District funds.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash equivalents legally required to be set aside by the School District for the purchase of textbooks and instructional materials and unspent grant monies restricted for bus purchases. See Note 17 for additional information regarding set-asides.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the fiscal year in which services are consumed.

Inventory

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

Capital Assets

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

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the fiscal year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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	10 - 50 years
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles	10 years

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.

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.

Bond Premiums and Discounts/Issuance Costs/Interest on Capital Appreciation Bonds

Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and discounts and the interest on the capital appreciation bonds are presented as an addition/reduction of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges. On the fund financial statements, bond premiums and discounts are reported as Other Financing Sources/Uses and issuance costs are reported as expenditures when the debt is issued. Accretion on the capital appreciation bonds are not reported.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Accrued Liabilities and Long-Term Obligations

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

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

Fund Balance Reserves and Designation

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

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

Net Assets

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary 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 final budgeted amounts reflect the amounts in the amended certificate in effect at the time the final appropriations were passed. Before fiscal year-end, the School District requested and received an amended certificate of estimated resources that reflected actual revenue for the fiscal year-end in all funds.

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

Internal Activity

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

NOTE 3 – ACCOUNTABILITY

At June 30, 2010, the following funds had a deficit fund balance:

<u>Funds</u>	<u>Amounts</u>
Education Management Information Systems	\$332
Early Childhood Education	14,608
Alternative Schools	145
Special Education, Part B-IDEA	12,158
Title I, School Improvement Stimulus A	225
Title I	44,601
Title II - A, Improving Teacher Quality	5,768
Miscellaneous Federal Grants	3,254

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

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 4 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

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

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$10,370
Adjustments:	
Revenue Accruals	(24,236)
Expenditure Accruals	73,927
Encumbrances	(165,699)
Advances	(26,159)
Net Decrease in Fair Value of Investments - Fiscal Year 2009	(11,641)
Net Increase in Fair Value of Investments - Fiscal Year 2010	(5,386)
Budget Basis	<u><u>(\$148,824)</u></u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or 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) above;

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

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.

Deposits: Custodial credit risk for deposits is the risk that in the event of bank failure, the Washington-Nile Local School District will not be able to recover deposits or collateral securities that are in possession of an outside party. At fiscal year-end, \$7,587,435 of the School District’s bank balance of \$8,350,949 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution.

Investments: As of June 30, 2010, the School District had the following investments:

	Fair Value	Investment Maturities Less Than 1 Year	Investment Maturities (in Years) 1 - 4	Call Date	S&P Rating	Percent of Total Investments
Federal National Mortgage Association Bonds	\$451,971	\$0	\$451,971	10/15/2010	AAA	28.34%
Federal Home Loan Bank Bonds	404,252	0	404,252	----	AAA	25.34%
Federal Home Loan Bank Consolidation Bonds	350,546	0	350,546	8/24/2010	AAA	21.97%
STAROhio	388,473	388,473	0	----	AAAm	24.35%
Totals	<u>\$1,595,242</u>	<u>\$388,473</u>	<u>\$1,206,769</u>			<u>100.00%</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 5 – DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

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

Credit Risk

The S&P ratings of the School District's investments are listed in the table above. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The School District's investment policy limits investments to those authorized by State statute.

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments by security and institution. No more than 50 percent of the total current portfolio shall be invested in collateralized repurchase agreements and certificates of deposit with any one eligible financial institution. No more than 25 percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The percentage that each investment represents of the total investments is listed in the table above.

NOTE 6 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES (continued)

Assessed values for real property taxes are established by State law at 35 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 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009, and are collected in calendar year 2010 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received during calendar year 2010 (other than public utility property tax) represent the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments made 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 Scioto County Treasurer collects property taxes on behalf of all governments in the 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, 2010, are available to finance fiscal year 2010 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, 2010 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 to deferred revenue.

The amounts available as an advance at June 30, 2010, were \$121,042 in the General Fund and \$20,262 in the Other Governmental Funds. The amounts available as an advance at June 30, 2009, were \$104,177 in the General Fund and \$17,467 in the Other Governmental Funds.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 6 – PROPERTY TAXES (continued)

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

The assessed values upon which the fiscal year 2010 taxes were collected are:

	2009 Second- Half Collections		2010 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$72,656,750	95.23%	\$73,770,430	95.30%
Public Utility Personal	3,408,660	4.47%	3,531,100	4.56%
General Business Personal	228,250	0.30%	108,840	0.14%
Total Assessed Value	<u>\$76,293,660</u>	<u>100.00%</u>	<u>\$77,410,370</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$28.81		\$28.81	

NOTE 7 – RECEIVABLES

Receivables at June 30, 2010, consisted of property taxes, accounts, intergovernmental grants, accrued interest and interfund. All receivables are considered collectible in full and will be received within one fiscal year with the exception of the property taxes and the Ohio School Facilities Commission Grant. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year. Ohio School Facilities Commission Grant monies will be collected over the life of the construction of the new facility.

A summary of the principal items of intergovernmental receivables follows:

	Amount
<u>Governmental Activities:</u>	
Miscellaneous Reimbursements	\$7,203
Early Childhood Education	27,458
Title VI - B, Special Education	74,726
Shawnee State University	4,704
Special Education, Part B-IDEA ARRA	55,611
Title I, School Improvement Stimulus A	8,830
Title I	188,662
Title IV - A, Safe and Drug Free Schools	1,500
Title II - A, Improving Teacher Quality	22,470
Title II - D	514
Title VI-B, Rural and Low Income	5,074
Ohio School Facilities Commission	8,093,906
Total Intergovernmental Receivables	<u>\$8,490,658</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 7 – RECEIVABLES (continued)

The School District was awarded a grant in the amount of \$15,662,992 on September 19, 2008, from the Ohio School Facilities Commission for the construction of a new middle school facility, as well as to demolish the existing middle school building.

NOTE 8 – CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2010, was as follows:

	Balance at 6/30/09	Additions	Deletions	Balance at 6/30/10
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,852,309	\$0	\$0	\$1,852,309
Construction in Progress	442,510	1,479,373	0	1,921,883
Total Capital Assets Not Being Depreciated	<u>2,294,819</u>	<u>1,479,373</u>	<u>0</u>	<u>3,774,192</u>
Capital Assets Being Depreciated:				
Land Improvements	518,336	0	0	518,336
Buildings and Improvements	29,515,142	0	0	29,515,142
Furniture, Fixtures and Equipment	3,832,371	48,678	(20,016)	3,861,033
Vehicles	1,414,597	86,096	0	1,500,693
Total Capital Assets Being Depreciated	<u>35,280,446</u>	<u>134,774</u>	<u>(20,016)</u>	<u>35,395,204</u>
Less Accumulated Depreciation:				
Land Improvements	(166,673)	(15,547)	0	(182,220)
Building and Improvements	(7,740,725)	(573,450)	0	(8,314,175)
Furniture, Fixtures and Equipment	(2,551,469)	(144,283)	18,012	(2,677,740)
Vehicles	(970,359)	(77,879)	0	(1,048,238)
Total Accumulated Depreciation	<u>(11,429,226)</u>	<u>(811,159) *</u>	<u>18,012</u>	<u>(12,222,373)</u>
Total Capital Assets Being Depreciated, Net	<u>23,851,220</u>	<u>(676,385)</u>	<u>(2,004)</u>	<u>23,172,831</u>
Governmental Activities				
Capital Assets, Net	<u>\$26,146,039</u>	<u>\$802,988</u>	<u>(\$2,004)</u>	<u>\$26,947,023</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 8 – CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$263,463
Special	75,314
Vocational	6,590
Student Intervention Services	2,789
Support Services:	
Pupils	28,011
Instructional Staff	31,929
Administration	40,164
Fiscal	9,623
Operation and Maintenance of Plant	73,287
Pupil Transportation	132,454
Operation of Non-Instructional Services:	
Food Service Operations	72,957
Extracurricular Activities	74,578
Total Depreciation Expense	<u><u>\$811,159</u></u>

NOTE 9 – RISK MANAGEMENT

Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the fiscal year, the School District contracted with School Insurance Consultants, LLC (SIC) for insurance consulting services. The premium for this service is \$2.00 per student, subject to a \$3,500 minimum fee. The School District also pays an insurance premium to the awarded insurance company, Ohio Casualty Insurance Agency, for liability, property, inland marine, and automobile liability insurance coverage. The School District paid its premium to Ralph E. Wade Insurance Agency, Inc., an agent for Ohio Casualty Insurance Agency.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 9 – RISK MANAGEMENT (continued)

Employee Medical and Dental Benefits

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 16), offering medical and dental insurance to the employees of participating school districts. Monthly premiums are paid to the South Central Ohio Educational Service Center as fiscal agent, who in turn pays the claims on the School District's behalf. The Council is responsible for the management and operations of the program. Upon termination from the Council, for any reason, the School District shall have no obligation under the plan beyond paying the difference between the claims incurred (even though later filed) and expenses of the plan due up to the date of termination plus extended benefits, if any, provided under the plan.

Workers' Compensation

For fiscal year 2010, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP. Each fiscal year, the School District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

Plan Description – The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension and death benefit obligations with the remainder being used to fund health care benefits; for fiscal year 2010, 12.78 percent of annual covered salary was the portion used to fund pension and death benefit obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2010, 2009, and 2008 were \$243,923, \$153,154, and \$151,333, respectively; 51.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 10 – DEFINED BENEFIT PENSION PLANS (continued)

Funding Policy – For the fiscal year ended June 30, 2010, 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 2009, 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, 2010, 2009, and 2008 were \$878,769, \$859,775, and \$844,965, respectively; 83.94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,216 made by the School District and \$9,440 made by the plan members.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2010, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

NOTE 11 – POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 11 – POSTEMPLOYMENT BENEFITS (continued)

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, 0.46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$41,349, \$94,880, and \$100,817, respectively; 51.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For 2010, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,506, \$12,636, and \$10,904, respectively; 51.39 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

State Teachers Retirement System of Ohio

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$67,598, \$66,137, and \$64,997, respectively; 83.94 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 12 – EMPLOYEE BENEFITS

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 10 to 20 days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers and 10 month administrators do not earn vacation time.

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

Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 56 days for teachers, administrators, and classified non-union employees and 47 days for classified union employees. As a further incentive to minimize sick leave usage, the Board will pay an additional eight days of bonus retirement pay beyond the cap if, in the year of retirement, the employee has used less than eight days of sick leave and has the maximum sick leave accumulation.

Insurance Benefits

The School District provides its teachers, administrators and classified nonunion employees with life insurance through the Metropolitan Educational Council (See Note 16), health and dental insurance through the Scioto County Schools Council, and vision benefits through Vision Service Plan. Classified union employees are provided health, dental, vision, and life insurance plans through their union, The Public Employees of Ohio Teamsters Local Union No. 92. The School District pays the premiums, established by contract, to the union. The union, in turn, pays the insurance provider, Central States Fund. All questions and claims regarding these plans are handled through the union.

Deferred Compensation

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 13 – CAPITAL LEASE – LESSEE DISCLOSURE

The School District has a capital lease obligation that relates to the construction of the high school athletic stadium complex. The School District entered into this lease on March 30, 2001. As part of the agreement, Oak Hill Bank, as lessor, deposited \$1,500,000 in the School District's savings account to construct the athletic stadium complex. Amounts were paid to contractors by the School District as the work progressed. The stadium was completed during fiscal year 2003 and was capitalized as buildings and improvements on the Statement of Net Assets for governmental activities in the amount of \$2,081,752. The remaining \$581,752 necessary to complete the construction was provided by the School District. Principal payments in fiscal year 2010 totaled \$169,343.

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

The assets acquired through the capital lease are as follows:

	<u>Asset Value</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Asset:			
Buildings and Improvements	<u>\$2,081,752</u>	<u>(\$305,562)</u>	<u>\$1,776,190</u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2010:

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2011	\$181,241
Less: Amount Representing Interest	<u>(4,086)</u>
Present Value of Net Minimum Lease Payments	<u>\$177,155</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 14 – LONG-TERM OBLIGATIONS

The changes in the School District’s long-term obligations during the fiscal year 2010 were as follows:

	Principal Outstanding 6/30/09	Additions	Deductions	Principal Outstanding 6/30/10	Amounts Due Within One Year
<u>Governmental Activities:</u>					
1993 EPA Asbestos					
Loan 0.00%	\$7,971	\$0	\$5,312	\$2,659	\$2,659
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	640,000	0	140,000	500,000	0
Original Issue Capital					
Appreciation Bonds	109,942	0	0	109,942	42,435
Accretion on Capital					
Appreciation Bonds	202,335	43,581	0	245,916	0
Premium on Debt Issue	28,737	0	14,989	13,748	0
Discount on Debt Issue	(111)	0	(111)	0	0
Deferred Loss on Refunding	(34,365)	0	(8,591)	(25,774)	0
Capital Lease	346,498	0	169,343	177,155	177,155
Compensated Absences	393,509	81,653	79,900	395,262	91,125
Total Governmental Activities					
Long-Term Obligations	<u>\$1,694,516</u>	<u>\$125,234</u>	<u>\$400,842</u>	<u>\$1,418,908</u>	<u>\$313,374</u>

EPA Asbestos Loan - In 1993, the Washington-Nile Local School District obtained a loan in the amount of \$95,619 for the purpose of providing asbestos removal. The loan was issued for an 18 year period with final maturity during fiscal year 2011. The loan is interest free and will be retired from the Debt Service Fund.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 14 – LONG-TERM OBLIGATIONS (continued)

2001 Refunding Classroom Facilities Bonds - On July 1, 2001, the School District issued \$1,464,942 in General Obligation Bonds to advance refund \$1,465,000 of outstanding 1994 Classroom Facilities General Obligation Bonds with an interest rate of 5.80 percent to 6.45 percent. The bond issue included serial and capital appreciation bonds in the amounts of \$1,355,000 and \$109,942, respectively, with interest rates ranging from 3.30 percent to 5.00 percent. The capital appreciation bonds will mature in fiscal years 2011, 2012, and 2013. The maturity amount of the capital appreciation bonds is \$145,000 in fiscal year 2011, \$140,000 in fiscal year 2012, and \$140,000 in fiscal year 2013, for a total of \$425,000. For fiscal year 2010, the capital appreciation bonds were accreted \$43,581 with a total accretion amount of \$245,916. Issuance costs associated with the bond issue will be amortized over the term of the bonds. The serial bonds were issued for a 15 year period with a final maturity during fiscal year 2017. The bonds will be retired from the Debt Service Fund.

Capital leases will be paid from the Debt Service Fund. Compensated absences will be paid from the General Fund.

The School District's overall legal debt margin was \$6,874,602 with an unvoted debt margin of \$77,073.

The principal requirement to retire the EPA Asbestos Loan outstanding at June 30, 2010, is \$2,659.

Principal and interest requirements to retire the 2001 general obligation debt outstanding at June 30, 2010, are as follows:

Fiscal year	Serial Bonds	Serial Bonds	Capital	Capital	
Ending	Principal	Interest	Appreciation	Appreciation	Total
June 30,			Bonds Principal	Bonds Interest	
2011	\$0	\$24,358	\$42,436	\$102,564	\$169,358
2012	0	24,358	35,955	104,045	164,358
2013	0	24,358	31,551	108,449	164,358
2014	140,000	21,033	0	0	161,033
2015	145,000	14,192	0	0	159,192
2016-2017	215,000	8,588	0	0	223,588
Total	<u>\$500,000</u>	<u>\$116,887</u>	<u>\$109,942</u>	<u>\$315,058</u>	<u>\$1,041,887</u>

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2010

NOTE 15 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2010, were as follows:

		Transfers From
		<u>General Fund</u>
Transfers To	Other	
	Governmental Funds	<u>\$369,939</u>

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

Interfund balances at June 30, 2010, consist of the following individual interfund receivable and payable:

		Receivable
		<u>General Fund</u>
Payable	Other	
	Governmental Funds	<u>\$32,133</u>

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL

Jointly Governed Organizations

South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Lawrence, Pike, Ross, Jackson, Vinton and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$25,600 for membership during the fiscal year. Financial information can be obtained from the fiscal agent, the Pike County Joint Vocational School District, Tonya Cooper, who serves as Treasurer, at P. O. Box 577, 175 Beaver Creek Road, Piketon, Ohio 45661.

Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over 100 school districts in southeastern Ohio. The Coalition is operated by a board which is composed of 14 members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding conditions of education in the region; cooperates with other professional groups to assess and develop programs designed to meet the needs of member districts; and provides staff development programs for School District personnel. The Coalition is not dependent upon the continued participation of the School District and the School District does not maintain an equity interest in or a financial responsibility for the Coalition. During fiscal year 2010, the School District paid \$300 to the Coalition for services provided during the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Metropolitan Educational Council

The School District participates in the Metropolitan Educational Council (MEC), a jointly governed organization. The organization is composed of over 100 members, which includes school districts, joint vocational schools, educational service centers, and libraries covering 24 counties in Central Ohio. MEC helps its members purchase services, insurances, supplies, and other items at a discounted rate. The governing board of MEC is composed of either the superintendent, a designated representative or a member of the board of education for each participating school district in Franklin County (18 school districts) and one representative from each county outside Franklin County. In particular, the School District participates in an insurance purchasing pool, which is managed by MEC, to obtain lower costs for life insurance coverage for their employees. The School District pays premiums to MEC based on the number of employees who participate, the amount of coverage provided, and what MEC estimates will cover the costs to provide that coverage. Financial information may be obtained from the Metropolitan Educational Council, Sue Ward, who serves as fiscal officer, at 2100 Citygate Drive, Columbus, OH 43219.

Public Entity Shared Risk Pool

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “Council”), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer a program of health insurance for the benefit of the council members’ employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council’s business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts.

The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District’s claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District’s claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 16 – JOINTLY GOVERNED ORGANIZATIONS, PUBLIC ENTITY SHARED RISK POOL, AND INSURANCE PURCHASING POOL (continued)

Insurance Purchasing Pool

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

NOTE 17 – 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 instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future fiscal years.

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

	Textbooks and Instructional Materials	Capital Acquisitions
Set-aside Reserve Balance as of June 30, 2009	\$121,834	\$0
Current Fiscal Year Set-aside Requirement	245,201	245,201
Current Fiscal Year Offsets	0	(105,242)
Qualifying Disbursements	(199,310)	(208,321)
Set-aside Reserve Balance as of June 30, 2010	<u>\$167,725</u>	<u>(\$68,362)</u>
Required Set-aside Balances Carried Forward to FY 2011	<u>\$167,725</u>	<u>\$0</u>

Although the School District had offsets and qualifying expenditures for capital acquisitions that exceeded the set-aside requirements, these amounts may not be used to reduce the set-aside requirements of future fiscal years and therefore are not presented as being carried forward to the next fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2010

NOTE 18 – CONTRACTUAL COMMITMENTS

The School District contracted for the construction of a new middle school. The outstanding construction commitments at June 30, 2010, are:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Expended</u>	<u>Balance at 6/30/10</u>
Four Seasons	\$53,330	\$4,447	\$48,883
DCK North America LLC	826,340	460,603	365,737
CTL	93,097	29,178	63,919
West End Electric	2,125,000	99,843	2,025,157
Central Fire Protection, Inc.	135,577	14,277	121,300
Geiger Brothers	9,890,000	286,860	9,603,140
Tanner & Stone Architects	887,607	701,105	186,502
Total	<u>\$14,010,951</u>	<u>\$1,596,313</u>	<u>\$12,414,638</u>

NOTE 19 – CONTINGENCIES

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, 2010.

Litigation

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

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

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

FEDERAL GRANTOR/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	2009/2010	10.555	\$ 13,446	\$ 13,446
Cash Assistance:				
School Breakfast Program	2009/2010	10.553	97,902	97,902
National School Lunch Program	2009/2010	10.555	301,888	301,888
Cash Assistance Subtotal			<u>399,790</u>	<u>399,790</u>
Total Child Nutrition Cluster			413,236	413,236
ARRA - Child Nutrition Discretionary Grants Limited Availability	2010	10.579	<u>22,273</u>	<u>22,273</u>
Total U.S. Department of Agriculture			435,509	435,509
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed Through Ohio Department of Education:</i>				
Title I Cluster:				
Title I Grants to Local Educational Agencies	2009	84.010	96,137	143,902
Title I Grants to Local Educational Agencies	2010	84.010	687,749	682,695
Title I School Improvement	2010	84.010	51,171	56,203
Total Title I Grants to Local Educational Agencies			<u>835,057</u>	<u>882,800</u>
ARRA - Title I Grants to Local Educational Agencies	2010	84.389	<u>141,163</u>	<u>137,079</u>
Total Title I Cluster			976,220	1,019,879
Special Education Cluster:				
Special Education Grants to States	2009	84.027	31,013	34,598
Special Education Grants to States	2010	84.027	237,180	259,269
Total Special Education Grants to States			<u>268,193</u>	<u>293,867</u>
Special Education Preschool Grants	2010	84.173	450	450
ARRA - Special Education Grants to States	2010	84.391	<u>122,115</u>	<u>115,537</u>
Total Special Education Cluster			390,758	409,854
Safe and Drug-Free Schools and Communities State Grants	2009	84.186	921	971
	2010		8,899	8,799
Total Safe and Drug-Free Schools and Communities State Grants			<u>9,820</u>	<u>9,770</u>
Education Technology State Grants	2009	84.318	2,622	2,808
	2010		6,609	6,298
Total Education Technology State Grants			<u>9,231</u>	<u>9,106</u>
Rural Education	2009	84.358	5,056	5,204
	2010		33,041	32,295
Total Rural Education			<u>38,097</u>	<u>37,499</u>
Improving Teacher Quality State Grants	2009	84.367	18,684	27,314
	2010		131,106	131,142
Total Improving Teacher Quality State Grants			<u>149,790</u>	<u>158,456</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants	2010	84.394	629,553	616,904
<i>Passed through Shawnee State University:</i>				
Twenty-First Century Community Learning Centers Grant	2009	84.287		10,000
	2010		7,000	
Total Twenty-First Century Community Learning Centers Grant			<u>7,000</u>	<u>10,000</u>
Total U.S. Department of Education			<u>2,210,469</u>	<u>2,271,468</u>
Total Federal Awards Receipts and Expenditures			<u>\$ 2,645,978</u>	<u>\$ 2,706,977</u>

The Notes to the Federal Awards Receipts and Expenditures Schedule is an integral part of the Schedule.

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

**NOTES TO FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Washington-Nile Local School District's (the School District) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The School District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the School District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The School District reports commodities consumed on the Schedule at the fair value. The School District allocated donated food commodities to the program that benefitted from the use of those donated food commodities.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2010, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and timely corrected.

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

Compliance and Other Matters

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

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

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

Dave Yost
Auditor of State

March 8, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

Compliance

We have audited the compliance of the Washington-Nile Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the School District's major federal programs for the year ended June 30, 2010. The Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings and Questioned Costs lists this instance as Finding 2010-001.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, described in the accompanying Schedule of Findings and Questioned Costs as item 2010-001. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's response to the finding we identified is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

March 8, 2011

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I Cluster – CFDA # 84.010 and 84.389 Special Education Cluster – CFDA # 84.027, 84.173 and 84.391 ARRA – State Fiscal Stabilization Fund – Education State Grants – CFDA # 84.394
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
SCIOTO COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
JUNE 30, 2010
(Continued)

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2010-001
CFDA Title and Number	Title I Grants to Local Educational Agencies – CFDA #84.010
Federal Award Number / Year	2010
Federal Agency	United States Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance Finding/Significant Deficiency/Questioned Cost

Allowable Costs/Cost Principles

2 C.F.R. Part 225 (A-87) Appendix B, Part 8g states that:

- (1) Payments in addition to regular salaries and wages made to workers whose employment is being terminated are allowable to the extent that, in each case, they are required by (a) law, (b) employer employee agreement, or (c) established written policy.
- (2) Severance payments (but not accruals) associated with normal turnover are allowable. Such payments shall be allocated to all activities of the governmental unit as an indirect cost.
- (3) Abnormal or mass severance pay will be considered on a case by case basis and is allowable only if approved by the cognizant Federal agency.

OMB Circular A-133 Section .510(a)(3) states that questioned costs shall be issued where the amount in question is greater than \$10,000 for a type of compliance requirement for a major program.

During 2010, a long term Title I employee retired and his severance, totaling \$13,294, was paid entirely from the Title I Fund. Severance payments must be allocated to all activities of the School District as an indirect cost, even when an employee's salary has historically been paid 100% from Federal funds.

We recommend the School District not pay severance from Federal funds, unless using an approved Indirect Cost Allocation plan.

Officials' Response:

When this severance was paid, I had spoken with a couple of treasurers asking for guidance on paying severance out of a Federal program. It was their understanding that you could. One of the treasurer's had an email from the Federal Programs Consultants asking if you can pay severance out of the Title 1 fund and the one word response was "yes", and the email did not say anything about only being allowable as an indirect cost. The employee was paid from Title 1 funds for 91% of his career (91% * \$13,294 = \$12,098) \$13,294 - \$12,098 = \$1,196, which is well under the \$10,000.

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

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A-133 §.315(c)
JUNE 30, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-001	I have been in contact with Jeff Jordan, with the Office of Finance Program Services.	March 2011	Sherry Patterson, Treasurer

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Dave Yost • Auditor of State

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 22, 2011