



Mary Taylor, CPA
Auditor of State

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

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2007, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

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

Mary Taylor, CPA
Auditor of State

March 19, 2007

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
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, 2006. 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 2006 are as follows:

Net assets of governmental activities increased \$207,805. This is primarily due to an increase in Equity in Pooled Cash and Cash Equivalents resulting from the hiring of new, lower wage employees to replace higher wage retirees along with an overall decrease in staffing levels.

Total assets of governmental activities decreased by \$85,639. Capital assets decreased by \$881,475 due to current year depreciation and deletions exceeding purchases. Receivables and other current assets increased by \$795,836 due predominantly to an increase in Equity Pooled in Cash and Cash Equivalents of \$608,927 resulting from the hiring of new, lower wage employees as mentioned above.

General revenues accounted for \$10,772,617 in revenue or 73 percent of total revenues. Program specific revenues in the form of charges for services and sales, grants, contributions and interest accounted for \$3,993,491 or 27 percent of total revenues of \$14,766,108.

The School District had \$14,558,303 in expenses related to governmental activities; only \$3,993,491 of these expenses were offset by program specific charges for services and sales, grants, contributions and interest. General revenues (primarily grants, entitlements and property taxes) of \$10,772,617 were 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 non-major funds presented in total in one column. The only major fund for the Washington-Nile Local School District is the General Fund.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

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 2006?”

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

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

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

The School District as a Whole

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

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Increase/ (Decrease)</u>
	<u>2006</u>	<u>2005</u>	
<u>Assets:</u>			
Current Assets	\$7,032,214	\$6,236,378	\$795,836
Capital Assets	27,791,923	28,673,398	(881,475)
<i>Total Assets</i>	<u>34,824,137</u>	<u>34,909,776</u>	<u>(85,639)</u>
<u>Liabilities:</u>			
Long-Term Liabilities	2,498,245	2,929,368	(431,123)
Other Liabilities	2,841,425	2,703,746	137,679
<i>Total Liabilities</i>	<u>5,339,670</u>	<u>5,633,114</u>	<u>(293,444)</u>
<u>Net Assets:</u>			
Invested in Capital Assets, Net of Related Debt	25,891,140	26,498,858	(607,718)
Restricted	1,185,989	1,030,074	155,915
Unrestricted	2,407,338	1,747,730	659,608
<i>Total Net Assets</i>	<u>\$29,484,467</u>	<u>\$29,276,662</u>	<u>\$207,805</u>

Total assets decreased by \$85,639. This was mainly due to a significant decrease of \$881,475 in Net Capital Assets resulting from current year deletions and depreciation exceeding current year additions offset by an increase in Equity Pooled Cash and Cash Equivalents of \$608,927.

Total liabilities decreased \$293,444. Other liabilities increased by \$137,679, due primarily to an increase in deferred revenue. This is a result of an overall increase in property tax assessments. Long-term liabilities decreased by \$431,123 due mainly to a decrease in Compensated Absences, resulting from an increase in the number of retirees during the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

Invested in Capital Assets, Net of Related Debt for governmental activities decreased by \$607,718 due to current year depreciation and deletions exceeding current year additions and principal payments on outstanding debt issues being made during the fiscal year. Unrestricted Net Assets for governmental activities increased by \$659,608 resulting from the hiring of new, lower wage employees to replace higher wage retirees along with an overall decrease in staffing levels.

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

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

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

(Table 2)
Change in Net Assets

	2006	2005	Increase/ (Decrease)
<u>Revenues:</u>			
Program Revenues:			
Charges for Services and Sales	\$1,751,938	\$1,733,436	\$18,502
Operating Grants, Contributions and Interest	2,210,284	2,283,560	(73,276)
Capital Grants and Contributions	31,269	28,875	2,394
<i>Total Program Revenues</i>	<u>3,993,491</u>	<u>4,045,871</u>	<u>(52,380)</u>
General Revenues:			
Property Taxes	1,450,444	1,423,910	26,534
Grants and Entitlements not Restricted to Specific Programs	9,068,669	9,120,795	(52,126)
Investment Earnings	154,913	90,655	64,258
Miscellaneous	98,591	79,221	19,370
<i>Total General Revenues</i>	<u>10,772,617</u>	<u>10,714,581</u>	<u>58,036</u>
<i>Total Revenues</i>	<u>\$14,766,108</u>	<u>\$14,760,452</u>	<u>\$5,656</u>

(continued)

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

(Table 2)
Change in Net Assets
(continued)

	2006	2005	Increase/ (Decrease)
<u>Program Expenses:</u>			
Instruction:			
Regular	\$6,185,939	\$6,084,318	\$101,621
Special	1,715,377	1,515,249	200,128
Vocational	105,938	98,014	7,924
Student Intervention Services	45,889	0	45,889
Support Services:			
Pupils	825,792	833,134	(7,342)
Instructional Staff	796,664	850,452	(53,788)
Board of Education	46,426	65,775	(19,349)
Administration	969,927	1,029,477	(59,550)
Fiscal	272,817	257,775	15,042
Operation and Maintenance of Plant	1,455,268	1,305,914	149,354
Pupil Transportation	809,224	746,759	62,465
Operation of Non-Instructional Services:			
Food Service Operations	744,180	779,848	(35,668)
Other	0	1,380	(1,380)
Extracurricular Activities	467,419	499,540	(32,121)
Interest and Fiscal Charges	117,443	126,593	(9,150)
<i>Total Expenses</i>	<u>14,558,303</u>	<u>14,194,228</u>	<u>364,075</u>
<i>Increase (Decrease) in Net Assets</i>	207,805	566,224	(358,419)
<i>Net Assets Beginning of Year</i>	<u>29,276,662</u>	<u>28,710,438</u>	<u>566,224</u>
<i>Net Assets End of Year</i>	<u>\$29,484,467</u>	<u>\$29,276,662</u>	<u>\$207,805</u>

Governmental Activities

Program revenues decreased by \$52,380 due primarily to a decrease in the Title I, Title II-A, and the 21st Century operating grants. General revenues increased by \$58,036. Grants and Entitlements not Restricted to Specific Programs made up 61 percent of revenues for governmental activities of the Washington-Nile Local School District for fiscal year 2006. Property tax revenue made up 10 percent of the total revenues for governmental activities for a total of 71 percent of all revenue coming from Property Taxes and Grants and Entitlements not Restricted to Specific Programs. Grants and Entitlements not restricted to Specific Programs decreased by \$52,126 due primarily to an overall decrease in unrestricted foundation monies as well as a decrease in homestead and rollback.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

Program expenses increased by \$364,075. Regular Instruction comprises 42 percent of governmental program expenses. Support Services expenses make up 36 percent of governmental expenses. Regular Instruction, Special Instruction, and Operation of Maintenance and Plant increased \$101,621, \$200,128, and \$149,354, respectively. Increases from the prior year for Regular and Special Instruction were due primarily to an increase in purchasing instructional materials and supplies. The increase in Operation and Maintenance of Plant from the prior fiscal year is primarily due to heating, ventilating, and air conditioning commissioning services purchased during the fiscal year.

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

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
Instruction	\$8,053,143	\$5,336,244	\$7,697,581	\$5,032,124
Support Services	5,176,118	4,815,876	5,089,286	4,734,688
Operation of Non- Instructional Services	744,180	62,296	781,228	67,747
Extracurricular Activities	467,419	232,953	499,540	187,205
Interest and Fiscal Charges	117,443	117,443	126,593	126,593
<i>Total Expenses</i>	<u>\$14,558,303</u>	<u>\$10,564,812</u>	<u>\$14,194,228</u>	<u>\$10,148,357</u>

The School District's Funds

Information about the School District's major fund starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$14,746,341 and expenditures of \$14,106,632. The net change in fund balance for the fiscal year was most significant in the General Fund, an increase of \$494,519. This was due to the hiring of new, lower wage employees to replace higher wage retirees along with an overall decrease in staffing levels and careful monitoring of expenditures throughout the fiscal year.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

General Fund -- Budget Highlights

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

During fiscal year 2006, 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 18, as well as the actual amounts. A variance comparison is presented between the final budgeted amount and the actual amounts.

For the General Fund, final estimated revenues were \$11,230,654, with original estimated revenues of \$10,888,220, a difference of \$342,434. This difference was due primarily to conservative estimates of State foundation monies and timber royalties received from the Ohio Department of Natural Resources.

Final estimated expenditures were \$10,758,329, with original estimated expenditures of \$11,853,967. This difference of \$1,095,638 was due primarily to overestimating gasoline, utility, and insurance expenditures due to lower than anticipated rate increases.

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

Capital Assets

At the end of fiscal year 2006, the School District had \$27,791,923 invested in land, land improvements, buildings and improvements, furniture, fixtures and equipment, vehicles and textbooks and software. Table 4 shows fiscal year 2006 balances compared to fiscal year 2005:

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

	Governmental Activities	
	2006	2005
Land	\$1,743,109	\$1,743,109
Land Improvements	373,034	387,998
Buildings and Improvements	23,132,433	23,663,723
Furniture, Fixtures and Equipment	2,041,899	2,265,549
Vehicles	361,055	430,781
Textbooks and Software	140,393	182,238
<i>Totals</i>	<u>\$27,791,923</u>	<u>\$28,673,398</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

Net Capital Assets decreased from the prior year. The primary decrease occurred in Buildings and Improvements, due to current year depreciation exceeding current year additions.

For more information on capital assets, refer to Note 9 in the notes to the basic financial statements.

Debt

At June 30, 2006, the School District had a \$23,907 EPA Asbestos loan outstanding, of which \$5,312 is due within one year; \$1,030,000 in bonds outstanding, of which \$125,000 is due within one year; and \$34,950 in notes outstanding, of which \$23,300 is due within one year. The School District also had capital appreciation bonds outstanding of \$109,942, accretion on capital appreciation bonds of \$101,078, an outstanding premium of \$73,704, a discount of \$438, a deferred loss on the early retirement of debt of \$60,140, and capital lease obligations of \$811,024, of which \$147,914 is due within one year. Table 5 summarizes the outstanding debt:

(Table 5)
Outstanding Debt at Fiscal Year-End
Governmental Activities

	2006	2005
1993 EPA Asbestos Loan	\$23,907	\$29,219
2001 Refunding Classroom Facilities		
Serial Bonds	1,030,000	1,150,000
Original Issue on Capital Appreciation Bonds	109,942	109,942
Accretion on Capital Appreciation Bonds	101,078	75,233
Premium on Debt Issue	73,704	88,693
Discount on Debt Issue	(438)	(547)
Deferred Loss on Early Retirement	(60,140)	(68,732)
1997 Promissory Note HB 264	34,950	58,250
Capital Lease	811,024	952,415
<i>Totals</i>	<u>\$2,124,027</u>	<u>\$2,394,473</u>

For more detailed information on debt, refer to Note 15 in the notes to the basic financial statements.

Current Issues

The Washington-Nile Local School District was created in 1939 from the merger of three township school systems. The School District completed the construction of a high school and elementary school in 1998 and finished the renovation of the middle school in 2005 with the help of the Ohio Schools Facilities Commission.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2006

Unaudited

During the 2006 fiscal year, the School District implemented a preventative maintenance program with Four Seasons Environmental Incorporated. The program will provide the School District with a framework for timely, effective and productive preventative maintenance in order for the School District to maintain the buildings in the best possible condition.

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, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$4,984,356
Materials and Supplies Inventory	36,355
Accrued Interest Receivable	36,759
Accounts Receivable	11,612
Intergovernmental Receivable	329,663
Prepaid Items	11,057
Property Taxes Receivable	1,597,857
Deferred Charges	24,555
Capital Assets:	
Land	1,743,109
Depreciable Capital Assets, Net	<u>26,048,814</u>
<i>Total Assets</i>	<u>34,824,137</u>
<u>Liabilities:</u>	
Accounts Payable	59,155
Accrued Wages and Benefits Payable	1,071,930
Intergovernmental Payable	322,673
Deferred Revenue	1,383,022
Accrued Interest Payable	4,645
Long-Term Liabilities:	
Due Within One Year	367,569
Due in More Than One Year	<u>2,130,676</u>
<i>Total Liabilities</i>	<u>5,339,670</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	25,891,140
Restricted for Debt Service	270,547
Restricted for Capital Projects	307,769
Restricted for Other Purposes	435,603
Restricted for Set-Asides	172,070
Unrestricted	<u>2,407,338</u>
<i>Total Net Assets</i>	<u><u>\$29,484,467</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, 2006

		Program Revenues			Net (Expense)
		Charges for	Operating Grants,	Capital Grants	Revenue and Changes
	Expenses	Services and Sales	Contributions and Interest	and Contributions	in Net Assets
					Total
					Governmental
					Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$6,185,939	\$1,172,930	\$246,693	\$17,280	(\$4,749,036)
Special	1,715,377	0	1,260,459	0	(454,918)
Vocational	105,938	0	19,537	0	(86,401)
Student Intervention Services	45,889	0	0	0	(45,889)
Support Services:					
Pupils	825,792	0	86,111	0	(739,681)
Instructional Staff	796,664	0	207,857	0	(588,807)
Board of Education	46,426	0	0	0	(46,426)
Administration	969,927	0	0	0	(969,927)
Fiscal	272,817	0	0	0	(272,817)
Operation and Maintenance of Plant	1,455,268	0	0	0	(1,455,268)
Pupil Transportation	809,224	13,170	39,115	13,989	(742,950)
Operation of Non-Instructional Services:					
Food Service Operations	744,180	331,372	350,512	0	(62,296)
Extracurricular Activities	467,419	234,466	0	0	(232,953)
Interest and Fiscal Charges	117,443	0	0	0	(117,443)
Total Governmental Activities	\$14,558,303	\$1,751,938	\$2,210,284	\$31,269	(10,564,812)
<u>General Revenues:</u>					
Property Taxes Levied for:					
General Purposes					1,232,310
Other Purposes					25,452
Debt Service					192,682
Grants and Entitlements not					
Restricted to Specific Programs					9,068,669
Investment Earnings					154,913
Miscellaneous					98,591
Total General Revenues					10,772,617
Change in Net Assets					207,805
Net Assets at Beginning of Year					29,276,662
Net Assets at End of Year					\$29,484,467

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Balance Sheet
Governmental Funds
June 30, 2006

	General	Other Governmental Funds	Total Governmental Funds
	<hr/>	<hr/>	<hr/>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$3,592,947	\$1,150,415	\$4,743,362
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	240,994	0	240,994
Receivables:			
Property Taxes	1,374,398	223,459	1,597,857
Accounts	2,370	9,242	11,612
Intergovernmental	1,329	328,334	329,663
Accrued Interest	36,759	0	36,759
Interfund	63,192	0	63,192
Prepaid Items	10,866	191	11,057
Materials and Supplies Inventory	29,368	6,987	36,355
	<hr/>	<hr/>	<hr/>
<i>Total Assets</i>	<u>\$5,352,223</u>	<u>\$1,718,628</u>	<u>\$7,070,851</u>
 <u>Liabilities and Fund Balances:</u>			
<u>Liabilities:</u>			
Accounts Payable	\$37,871	\$21,284	\$59,155
Accrued Wages and Benefits Payable	810,871	261,059	1,071,930
Intergovernmental Payable	256,791	65,882	322,673
Interfund Payable	0	63,192	63,192
Deferred Revenue	1,325,273	274,425	1,599,698
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities</i>	<u>2,430,806</u>	<u>685,842</u>	<u>3,116,648</u>
 <u>Fund Balances:</u>			
Reserved for Encumbrances	291,898	51,474	343,372
Reserved for Property Taxes	75,374	12,760	88,134
Reserved for Textbooks and Instructional Materials	129,229	0	129,229
Reserved for Capital Acquisitions	42,841	0	42,841
Reserved for Bus Purchases	68,924	0	68,924
Unreserved, Undesignated, Reported in:			
General Fund	2,313,151	0	2,313,151
Special Revenue Funds	0	465,586	465,586
Debt Service Fund	0	320,552	320,552
Capital Projects Funds	0	182,414	182,414
	<hr/>	<hr/>	<hr/>
<i>Total Fund Balances</i>	<u>2,921,417</u>	<u>1,032,786</u>	<u>3,954,203</u>
	<hr/>	<hr/>	<hr/>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,352,223</u>	<u>\$1,718,628</u>	<u>\$7,070,851</u>

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2006

Total Governmental Fund Balances \$3,954,203

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

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

Land	1,743,109	
Other capital assets	36,866,025	
Accumulated depreciation	(10,817,211)	
Total capital assets	27,791,923	27,791,923

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	126,701	
Intergovernmental	63,726	
Interest	26,249	
	216,676	216,676

Bond issuance costs reported as an expenditure in governmental funds are allocated as an expense over the life of the debt on a full accrual basis. 24,555

Amortization of the deferred loss on the refunding of debt is not reported in the funds, but is allocated as an expense over the life of the debt on a full accrual basis. 60,140

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

Bonds, loans, and notes payable	(1,198,799)	
Accretion on bonds	(101,078)	
Discount on debt issue	438	
Premium on debt issue	(73,704)	
Accrued interest on bonds	(4,645)	
Capital leases	(811,024)	
Compensated absences	(374,218)	
Total liabilities	(2,563,030)	(2,563,030)

Net Assets of Governmental Activities \$29,484,467

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, 2006

	General	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>			
Property Taxes	\$1,233,425	\$218,274	\$1,451,699
Intergovernmental	8,597,067	2,701,002	11,298,069
Investment Earnings	132,416	6,914	139,330
Increase in Fair Value of Investments	4,925	0	4,925
Tuition and Fees	1,183,154	0	1,183,154
Extracurricular Activities	0	234,466	234,466
Customer Sales and Services	4,235	331,372	335,607
Contributions and Donations	500	0	500
Miscellaneous	79,912	18,679	98,591
<i>Total Revenues</i>	<u>11,235,634</u>	<u>3,510,707</u>	<u>14,746,341</u>
<u>Expenditures:</u>			
Current:			
Instruction:			
Regular	5,035,481	817,958	5,853,439
Special	786,479	917,814	1,704,293
Vocational	96,670	0	96,670
Student Intervention Services	15,956	29,933	45,889
Support Services:			
Pupils	692,968	104,884	797,852
Instructional Staff	497,658	187,095	684,753
Board of Education	46,426	0	46,426
Administration	937,254	52,800	990,054
Fiscal	268,022	0	268,022
Operation and Maintenance of Plant	1,265,242	43,926	1,309,168
Pupil Transportation	735,839	376	736,215
Operation of Non-Instructional Services:			
Food Service Operations	4,336	687,425	691,761
Extracurricular Activities	119,629	269,631	389,260
Capital Outlay	0	106,260	106,260
Debt Service:			
Principal Retirement	0	290,003	290,003
Interest and Fiscal Charges	0	96,567	96,567
<i>Total Expenditures</i>	<u>10,501,960</u>	<u>3,604,672</u>	<u>14,106,632</u>
Excess of Revenues Over (Under) Expenditures	<u>733,674</u>	<u>(93,965)</u>	<u>639,709</u>
<u>Other Financing Sources (Uses):</u>			
Transfers In	0	239,155	239,155
Transfers Out	(239,155)	0	(239,155)
<i>Total Other Financing Sources (Uses)</i>	<u>(239,155)</u>	<u>239,155</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	494,519	145,190	639,709
<i>Fund Balances at Beginning of Year</i>	<u>2,426,898</u>	<u>887,596</u>	<u>3,314,494</u>
<i>Fund Balances at End of Year</i>	<u><u>\$2,921,417</u></u>	<u><u>\$1,032,786</u></u>	<u><u>\$3,954,203</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, 2006

Net Change in Fund Balances - Total Governmental Funds \$639,709

*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 asset additions	155,929	
Depreciation expense	(1,033,348)	
Excess of capital outlay over depreciation expense		(877,419)

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.

Loss on disposal of capital assets		(4,056)
------------------------------------	--	---------

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	(1,255)	
Intergovernmental	10,293	
Interest	12,018	
Customer sales and services	(1,289)	
		19,767

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 is allocated as an expense over the life of the debt on a full accrual basis.

Amortization of bond issuance costs	(2,233)	
Amortization of bond premium	14,989	
Amortization of bond discount	(109)	
Amortization of deferred loss on early retirement	(8,592)	
Decrease in accrued interest payable	914	
Accretion on bonds	(25,845)	
		(20,876)

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	120,000	
Note payments	23,300	
Capital lease payments	141,391	
Total long-term debt repayment		290,003

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

Decrease in compensated absences payable		160,677

Change in Net Assets of Governmental Activities \$207,805

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, 2006

	Budget Amounts		Actual	Variance With Final Budget Over/(Under)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$1,327,000	\$1,239,566	\$1,239,566	\$0
Intergovernmental	8,227,177	8,597,067	8,597,067	0
Investment Earnings	120,748	126,177	126,177	0
Tuition and Fees	1,132,001	1,182,895	1,182,895	0
Customer Sales and Services	4,673	4,883	4,883	0
Contributions and Donations	478	500	500	0
Miscellaneous	76,143	79,566	79,566	0
<i>Total Revenues</i>	10,888,220	11,230,654	11,230,654	0
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	5,564,708	5,050,373	5,050,373	0
Special	860,476	780,944	780,944	0
Vocational	106,210	96,393	96,393	0
Student Intervention Services	17,581	15,956	15,956	0
Support Services:				
Pupils	754,458	684,725	684,725	0
Instructional Staff	547,179	496,604	496,604	0
Board of Education	56,379	51,168	51,168	0
Administration	1,041,741	945,455	945,455	0
Fiscal	308,840	280,295	280,295	0
Operation and Maintenance of Plant	1,493,654	1,355,599	1,355,599	0
Pupil Transportation	950,946	863,052	863,052	0
Operation of Non-Instructional Services:				
Food Service Operations	4,710	4,275	4,275	0
Extracurricular Activities	131,933	119,739	119,739	0
Capital Outlay	15,151	13,751	13,751	0
<i>Total Expenditures</i>	11,853,966	10,758,329	10,758,329	0
Excess of Revenues Over (Under) Expenditures	(965,746)	472,325	472,325	0
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Capital Assets	500	0	0	0
Advances In	0	36,781	36,781	0
Transfers Out	(280,952)	(239,155)	(239,155)	0
Advances Out	(50,000)	(63,191)	(63,191)	0
<i>Total Other Financing Sources (Uses)</i>	(330,452)	(265,565)	(265,565)	0
<i>Net Change in Fund Balance</i>	(1,296,198)	206,760	206,760	0
<i>Fund Balance at Beginning of Year</i>	3,197,981	3,197,981	3,197,981	0
<i>Prior Year Encumbrances Appropriated</i>	120,029	120,029	120,029	0
<i>Fund Balance at End of Year</i>	\$2,021,812	\$3,524,770	\$3,524,770	\$0

See accompanying notes to the basic financial statements

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$67,628	\$31,903
Receivables:		
Accrued Interest	1,470	0
	<u> </u>	<u> </u>
<i>Total Assets</i>	69,098	<u><u>\$31,903</u></u>
<u>Liabilities:</u>		
Undistributed Monies	0	\$8,968
Deposits Held and Due to Others	0	22,935
	<u> </u>	<u> </u>
<i>Total Liabilities</i>	0	<u><u>\$31,903</u></u>
<u>Net Assets:</u>		
Held in Trust for Scholarships	<u><u>\$69,098</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, 2006

	<u>Private Purpose Trust</u>
	<u>Scholarships</u>
<u>Additions:</u>	
Interest	\$11,588
Gifts and Donations	<u>2,350</u>
<i>Total Additions</i>	13,938
<u>Deductions:</u>	
Scholarships	<u>9,950</u>
<i>Change in Net Assets</i>	3,988
<i>Net Assets at Beginning of Year</i>	<u>65,110</u>
<i>Net Assets at End of Year</i>	<u><u>\$69,098</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, 2006

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 62 non-certificated employees, 116 certificated full-time teaching personnel and 10 administrative employees who provide services to 1,674 students and other community members. The School District currently operates three buildings.

Reporting Entity:

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

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

The School District participates in six organizations, three of which are defined as jointly governed organizations, one as a public entity shared risk pool, and two as insurance purchasing pools. These organizations are the South Central Ohio Computer Association, the Coalition of Rural and Appalachian Schools, the Pilasco-Ross Special Education Regional Resource Center, the Scioto County Schools Council, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 17, 18 and 19 to the basic financial statements.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

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

Governmental Funds:

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

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

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

Fiduciary Funds:

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

Revenues - Exchange and Non-exchange Transactions

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from 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, tuition and fees, certain grants, and accrued interest.

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

During fiscal year 2006, the School District's investments were limited to nonnegotiable certificates of deposit, Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, Federal Home Loan Mortgage Corporation Bonds, and the State Treasury Asset Reserve of Ohio (STAROhio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2006.

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 2006 amounted to \$132,416, which includes \$32,271 from other School District funds.

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund represent cash and cash equivalents legally required to be set-aside by the School District for the purchase of textbooks and instructional materials, and capital acquisitions and unspent grant monies restricted for bus purchases. See Note 20 for additional information regarding set-asides.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure is reported in the fiscal year in which services are consumed.

H. Inventory

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Capital Assets

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Bond issuance costs and bond premiums and discounts are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. Capital appreciation bonds are accreted each fiscal year for the interest accrued during the fiscal year. Bond premiums and discounts and the interest on the capital appreciation bonds are presented as a reduction/addition of the face amount of the bonds payable whereas issuance costs are recorded as deferred charges.

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

On the governmental fund financial statements, the 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 capital appreciation bonds are not reported.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Fund Balance Reserves

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

O. Net Assets

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

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

The government-wide Statement of Net Assets reports \$1,185,989 of restricted net assets, none of which is restricted by enabling legislation.

P. Budgetary Process

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

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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Q. Interfund Transactions

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

R. Estimates

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

NOTE 3 – CHANGES IN ACCOUNTING PRINCIPLES

For fiscal year 2006, the School District has implemented *GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,”* and *GASB Statement No. 47, “Accounting for Termination Benefits”*.

GASB Statement No. 42 establishes accounting and financial reporting standards for the impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. This statement also clarifies and establishes accounting requirements for insurance recoveries. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2006.

GASB Statement No. 47 establishes accounting and financial reporting standards for termination benefits. This statement clarifies and establishes reporting requirements for those benefits provided by employers to employees as an incentive or settlement for voluntary early termination or as a consequence of the involuntary early termination of services. The implementation of this statement had no effect on the School District’s financial statements for fiscal year 2006.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 4 – ACCOUNTABILITY

At June 30, 2006, the following funds had deficit fund balances:

<u>Funds</u>	<u>Amounts</u>
Classroom Facilities	\$56,149
Ohio Reads	132
Alternative School	301

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

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING (continued)

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

<u>Net Change in Fund Balance</u>	
GAAP Basis	\$494,519
Adjustments:	
Revenue Accruals	(55)
Expenditure Accruals	81,072
Encumbrances	(337,441)
Advances	(26,410)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2005	(33,195)
Net Decrease in Fair Value	
of Investments - Fiscal Year 2006	28,270
Budget Basis	<u><u>\$206,760</u></u>

NOTE 6 – DEPOSITS AND INVESTMENTS

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

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

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or security issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
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) and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAROhio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

As of June 30, 2006, the School District had the following investments. All investments are in an internal investment pool.

	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 2	Callable
STAROhio	\$349,800	\$349,800	\$0	
Federal National Mortgage Association Bonds	245,703	245,703	0	7/30/2006
Federal National Mortgage Association Bonds	196,126	196,126	0	8/27/2006
Federal Home Loan Bank Bonds	490,315	490,315	0	7/13/2006
Federal Home Loan Bank Bonds	296,718	296,718	0	9/26/2006
Federal Home Loan Bank Bonds	446,202	0	446,202	7/28/2006
Federal Home Loan Bank Consolidation Bonds	98,313	98,313	0	7/10/2006
Federal Home Loan Mortgage Corporation Bonds	399,092	399,092	0	
	<u>\$2,522,269</u>	<u>\$2,076,067</u>	<u>\$446,202</u>	

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Credit Risk

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

Concentration of Credit Risk

The School District's investment policy provides that the School District will diversify its investments by security and institution. No more than fifty percent of the total current portfolio shall be invested in collateralized repurchase agreements and certificates of deposits with any one eligible financial institution. No more than twenty-five percent of the interim funds of the School District may be invested in commercial paper or banker's acceptances as authorized by Section 135.142 of the Ohio Revised Code. The School District's investments in Federal National Mortgage Association Bonds, Federal Home Loan Bank Bonds, Federal Home Loan Bank Consolidation Bonds, and Federal Home Loan Mortgage Corporation Bonds represents 17.52 percent, 48.89 percent, 3.90 percent, and 15.82 percent respectively, of the School District's total investments.

NOTE 7 – PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 – PROPERTY TAXES (continued)

Public utility property tax revenue received in calendar year 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005, and are collected in calendar year 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2006 (other than public utility property tax) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. The tangible personal property tax is being phased out – the assessment percentage for all property including inventory for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Scioto County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 were levied to finance current fiscal year operations and are reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$75,374 in the General Fund, \$1,454 in the Classroom Facilities Maintenance Special Revenue Fund, and \$11,306 in the Debt Service Fund. The amount available as an advance at June 30, 2005, was \$81,515 in the General Fund, \$1,577 in the Classroom Facilities Maintenance Special Revenue Fund, and \$12,222 in the Debt Service Fund.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 7 – PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$64,242,210	92.04%	\$64,437,270	92.84%
Public Utility Personal	3,995,080	5.72%	3,755,010	5.41%
General Business Personal	1,560,111	2.24%	1,214,262	1.75%
Total Assessed Value	<u>\$69,797,401</u>	<u>100.00%</u>	<u>\$69,406,542</u>	<u>100.00%</u>

Tax rate per \$1,000 of assessed valuation	\$34.68	\$34.68
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NOTE 8 – RECEIVABLES

Receivables at June 30, 2006, consisted of property taxes, accounts, intergovernmental grants, accrued interest and interfund. Most receivables are considered collectible in full and will be received within one fiscal year due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds. Property taxes, although ultimately collectible, include some portion of delinquents that will not be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	<u>Amount</u>
Governmental Activities:	
Excess Cost Reimbursement	\$1,329
Food Service - Federal Reimbursements	29,654
Ohio School Facilities Commission	56,149
21st Century	7,000
IDEA	96,636
Title I	114,223
Title IV - A, Safe and Drug Free Schools	2,492
Title II - A, Improving Teacher Quality	18,047
Title II - D	4,133
Total Intergovernmental Receivables	<u>\$329,663</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	Balance at 6/30/05	Additions	Deletions	Balance at 6/30/06
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$1,743,109	\$0	\$0	\$1,743,109
Capital Assets Being Depreciated:				
Land Improvements	493,881	0	0	493,881
Buildings and Improvements	29,126,687	36,058	0	29,162,745
Furniture, Fixtures and Equipment	4,773,203	77,809	(35,772)	4,815,240
Vehicles	1,266,989	0	0	1,266,989
Textbooks and Software	1,095,225	42,062	(10,117)	1,127,170
Total Capital Assets Being Depreciated	36,755,985	155,929	(45,889)	36,866,025
Less Accumulated Depreciation:				
Land Improvements	(105,883)	(14,964)	0	(120,847)
Buildings and Improvements	(5,462,964)	(567,348)	0	(6,030,312)
Furniture, Fixtures and Equipment	(2,507,654)	(297,403)	31,716	(2,773,341)
Vehicles	(836,208)	(69,726)	0	(905,934)
Textbooks and Software	(912,987)	(83,907)	10,117	(986,777)
Total Accumulated Depreciation	(9,825,696)	(1,033,348) *	41,833	(10,817,211)
Total Capital Assets Being Depreciated, Net	26,930,289	(877,419)	(4,056)	26,048,814
Governmental Activities Capital Assets, Net	\$28,673,398	(\$877,419)	(\$4,056)	\$27,791,923

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 9 - CAPITAL ASSETS (continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$447,709
Special	60,823
Vocational	9,268
Support Services:	
Pupils	33,707
Instructional Staff	116,793
Administration	48,390
Fiscal	10,840
Operation and Maintenance of Plant	82,756
Pupil Transportation	76,658
Operation of Non-Instructional Services:	
Food Service Operations	68,245
Extracurricular Activities	78,159
Total Depreciation Expense	<u>\$1,033,348</u>

NOTE 10 – RISK MANAGEMENT

A. Property and Liability Insurance

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2006, the School District participated in the Ohio School Plan (OSP), an insurance purchasing pool. Each individual school district enters into an agreement with the OSP and its premium is based on types of coverage, limits of coverage, and deductibles that it selects. The School District pays this annual premium to the OSP. (See Note 19). The types and amounts of coverage provided by the Ohio School Plan are as follows:

Building and Contents (including Boiler and Machinery) and Inland Marine Coverage - replacement cost (\$1,000 deductible)	\$36,145,617
Earthquake Limit (\$25,000 deductible)	1,000,000
Flood Limit (\$25,000 deductible)	1,000,000
Equipment Breakdown (\$1,000 deductible)	35,750,617
Commercial Auto Coverage	
Liability	2,000,000
Auto Medical	5,000
Uninsured Motorist Coverage	1,000,000
Comprehensive (\$1,000 deductible)	Actual Cash Value

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 – RISK MANAGEMENT (continued)

Educational General Liability:	
Bodily Injury and Property Damage - Each Occurrence Limit	\$1,000,000
Personal and Advertising Injury - Each Offense Limit	1,000,000
Products - Completed Operations Limit	1,000,000
General Aggregate Limit	3,000,000
Fire Legal Liability:	
Any One Event	500,000
Medical Expense - Per Person Limit	10,000
Employee Benefits Liability:	
Employee Benefits Injury - Each Offense	1,000,000
Employee Benefits Injury - Aggregate	3,000,000
Employer Liability:	
Bodily Injury by Accident - Each Accident	1,000,000
Bodily Injury by Disease - Each Endorsement	1,000,000
Bodily Injury by Disease - Each Employee	1,000,000
Educational Legal Liability:	
Error and Omissions Cover - Per Occurrence	1,000,000
Error and Omissions Cover - Annual Aggregate	2,000,000
Employment Practices Injury - Each Wrongful Act	1,000,000
Employment Practices Injury - Aggregate	2,000,000

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

B. Employee Medical and Dental Benefits

The School District is a member of the Scioto County Schools Council, a public entity shared risk pool (Note 18), 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 10 – RISK MANAGEMENT (continued)

C. Workers' Compensation

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

NOTE 11 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$161,880, \$149,435, and \$154,351, respectively; 50.42 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

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

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

For the fiscal year ended June 30, 2006, 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 2005, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 11 - DEFINED BENEFIT PENSION PLANS (continued)

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2006, 2005, and 2004, were \$806,418, \$783,768, and \$791,490, respectively; 82.40 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$2,977 made by the School District and \$5,532 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2006, one member of the Board of Education has elected Social Security. The Board's Liability is 6.2 percent of wages paid.

NOTE 12 – POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Ohio Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$62,032 for fiscal year 2006.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, (the latest information available) the balance in the Fund was \$3.3 billion. For the fiscal year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 12 - POSTEMPLOYMENT BENEFITS (continued)

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, compared to 3.43 percent of covered payroll for fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at two percent of each employer's SERS salaries. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$81,339.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next fiscal year. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178,221,113. At June 30, 2005, SERS had net assets available for payment of health care benefits of \$267.5 million. SERS has 58,123 participants eligible to receive health care benefits.

NOTE 13 – EMPLOYEE BENEFITS

A. Compensated Absences

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

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

Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of 51 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.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 13 – EMPLOYEE BENEFITS (continued)

B. Insurance Benefits

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

C. Deferred Compensation

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

NOTE 14 – CAPITAL LEASE - LESSEE DISCLOSURE

The capital lease obligation relates to the construction of the high school athletic stadium complex. The School District entered into this lease on March 30, 2001. As part of the agreement, Oak Hill Bank, as lessor, deposited \$1,500,000 in the School District's savings account, to construct the athletic stadium complex. Amounts were paid to contractors by the School District as the work progressed. The stadium was completed during fiscal year 2003 and was capitalized as buildings and improvements on the Statement of Net Assets for governmental activities in the amount of \$2,081,752. The remaining \$581,752 necessary to complete the construction was provided by the School District. Principal payments in fiscal year 2006 totaled \$141,391.

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

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>(\$152,507)</u>	<u>\$1,929,245</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 14 – CAPITAL LEASE - LESSEE DISCLOSURE (continued)

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, 2006.

<u>Fiscal Year Ending June 30,</u>	<u>Total Payments</u>
2007	\$181,916
2008	181,759
2009	181,594
2010	181,422
2011	181,241
Total	907,932
Less: Amount Representing Interest	(96,908)
Present Value of Net Minimum Lease Payments	<u>\$811,024</u>

NOTE 15 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year 2006 were as follows:

	<u>Principal Outstanding 6/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/06</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
1993 EPA Asbestos					
Loan 0.00%	\$29,219	\$0	\$5,312	\$23,907	\$5,312
General Obligation Bonds					
2001 Refunding Classroom Facilities					
Serial Bonds 3.3% to 5%	1,150,000	0	120,000	1,030,000	125,000
Original Issue Capital					
Appreciation Bonds	109,942	0	0	109,942	0
Accretion on Capital					
Appreciation Bonds	75,233	25,845	0	101,078	0
Premium on Debt Issue	88,693	0	14,989	73,704	0
Discount on Debt Issue	(547)	0	(109)	(438)	0
Deferred Loss on Refunding	(68,732)	0	(8,592)	(60,140)	0
1997 Promissory Note					
HB 264 - 5.36%	58,250	0	23,300	34,950	23,300
Capital Lease	952,415	0	141,391	811,024	147,914
Compensated Absences	534,895	12,439	173,116	374,218	66,043
Total Governmental Activities					
Long-Term Obligations	<u>\$2,929,368</u>	<u>\$38,284</u>	<u>\$469,407</u>	<u>\$2,498,245</u>	<u>\$367,569</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

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

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 5.8% to 6.45%. 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 3.3% to 5%. 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 2006, the capital appreciation bonds were accreted \$25,845 with a total accretion amount of \$101,078. Issuance costs associated with the bond issue will be amortized over the term of the bonds. The serial bonds were issued for a fifteen year period with a final maturity during fiscal year 2017. The bonds will be retired from the Debt Service Fund.

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

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

The School District's overall legal debt margin was \$5,358,260 with an unvoted debt margin of \$67,293, and an Energy Conservation debt margin of \$570,691 at June 30, 2006.

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2006

NOTE 15 – LONG-TERM OBLIGATIONS (continued)

Principal requirements to retire the EPA Asbestos Loan outstanding at June 30, 2006, are as follows:

EPA Asbestos Loan - 1993	
Fiscal year	
Ending June 30,	Principal
2007	\$5,312
2008	5,313
2009	5,312
2010	5,313
2011	2,657
Total	<u>\$23,907</u>

Principal and interest requirements to retire the 2001 general obligation debt outstanding at June 30, 2006, are as follows:

Fiscal year	Serial Bonds	Serial Bonds	Capital	Capital	
Ending	Principal	Interest	Appreciation	Appreciation	Total
June 30,			Bonds Principal	Bonds Interest	
2007	\$125,000	\$43,680	\$0	\$0	\$168,680
2008	130,000	38,610	0	0	168,610
2009	135,000	33,143	0	0	168,143
2010	140,000	27,333	0	0	167,333
2011	0	24,358	42,436	102,564	169,358
2012-2016	435,000	90,901	67,506	212,494	805,901
2017	65,000	1,625	0	0	66,625
Total	<u>\$1,030,000</u>	<u>\$259,650</u>	<u>\$109,942</u>	<u>\$315,058</u>	<u>\$1,714,650</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.

Principal requirements to retire H. B. 264 Promissory Note outstanding at June 30, 2006, are as follows:

H. B. 264 Promissory Note - 1997			
Fiscal year			
Ending June 30,	Principal	Interest	Total
2007	\$23,300	\$1,541	\$24,841
2008	11,650	308	11,958
Total	<u>\$34,950</u>	<u>\$1,849</u>	<u>\$36,799</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 16 – INTERFUND ACTIVITY

Transfers made during the fiscal year ended June 30, 2006 were as follows:

		Transfers From
		<u>General Fund</u>
Transfers To	Other	
	Governmental Funds	<u><u>\$239,155</u></u>

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

Interfund balances at June 30, 2006, consist of the following individual interfund receivable and payable:

		Receivable
		<u>General Fund</u>
Payable	Other	
	Governmental Funds	<u><u>\$63,192</u></u>

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS

A. South Central Ohio Computer Association

The School District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Pickaway, Gallia, Adams, Brown, Highland, Lawrence, Pike, Ross, Jackson, Vinton and Scioto Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county in the SCOCA service region designated by the Ohio Department of Education, two representatives of the school treasurers, plus a representative of the fiscal agent. The School District paid SCOCA \$21,138 for services provided 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.

B. Coalition of Rural and Appalachian Schools

The Coalition of Rural and Appalachian Schools (the “Coalition”) is a jointly governed organization of over one hundred school districts in southeastern Ohio. The Coalition is operated by a board which is composed of fourteen members. The Board members are composed of one superintendent from each county elected by the school districts within that county. The Coalition provides various services for School District administrative personnel; gathers data regarding 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 2006, the School District paid \$300 to the Coalition for services provided during the fiscal year.

C. Pilasco-Ross Special Education Regional Resource Center

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 17 – JOINTLY GOVERNED ORGANIZATIONS (continued)

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

NOTE 18 – PUBLIC ENTITY SHARED RISK POOL

Scioto County Schools Council

The School District is a member of the Scioto County Schools Council (the “Council”), a public entity shared risk pool. Several Scioto County school districts have entered into an agreement with the South Central Ohio Educational Service Center to form the Scioto County Schools Council. The overall objectives of the Council are to formulate and administer a program of health insurance for the benefit of the council members’ employees and their dependents, to obtain lower costs for health coverage, and to secure cost control by implementing a program of comprehensive loss control. The Council’s business and affairs are managed by a Board of Directors, consisting of the superintendents from each of the participating school districts. The School District pays premiums based on what the Council estimates will cover the costs of all claims for which the Council is obligated. If the School District’s claims exceed its premiums, there is no individual supplemental assessment; on the other hand, if the School District’s claims are low, it will not receive a refund. The Council views its activities in the aggregate, rather than on an individual entity basis. To obtain financial information, write to the fiscal agent, South Central Ohio Educational Service Center, 411 Court Street, Portsmouth, Ohio 45662.

NOTE 19 – INSURANCE PURCHASING POOLS

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

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

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 19 – INSURANCE PURCHASING POOLS (continued)

B. Ohio School Plan

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

NOTE 20 – SET-ASIDE CALCULATIONS

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

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

	Textbooks and Instructional Materials	Capital Acquisitions	Totals
Set-aside Reserve Balance as of June 30, 2005	\$91,928	\$36,488	\$128,416
Current Year Set-aside Requirement	239,707	239,707	479,414
Current Year Offsets	0	(28,159)	(28,159)
Qualifying Disbursements	(202,406)	(205,195)	(407,601)
Set-aside Reserve Balance as of June 30, 2006	<u>\$129,229</u>	<u>\$42,841</u>	<u>\$172,070</u>
Required Set-aside Balances Carried Forward to FY 2006	<u>\$129,229</u>	<u>\$42,841</u>	<u>\$172,070</u>

WASHINGTON-NILE LOCAL SCHOOL DISTRICT

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

NOTE 21 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are 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, 2006.

B. Litigation

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

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

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass-Through Grantor</i> Program Title	Federal CFDA Number	Pass Through Entity Number	Receipts	Noncash Receipts	Disbursements	Noncash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education</i>						
Food Donation	10.550	N/A	\$0	\$45,072	\$0	\$45,072
Team Nutrition Grant	10.574	N/A	490		490	
Nutrition Cluster:						
School Breakfast Program	10.553	05-PU-05	13,737		13,737	
		05-PU-06	56,144		56,144	
Total School Breakfast Program			69,881	0	69,881	0
National School Lunch Program	10.555	LL-P1-06	3,563		3,563	
		LL-P4-05	46,533		46,533	
		LL-P4-06	186,025		186,025	
Total National School Lunch Program			236,121	0	236,121	0
Total Nutrition Cluster			306,002	0	306,002	0
Total United States Department of Agriculture			306,492	45,072	306,492	45,072
UNITED STATES DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	84.010	C1-S1-05	102,901		96,792	
		C1-S1-06	563,409		549,183	
Total Title I Grants to Local Educational Agencies			666,310	0	645,975	0
Special Education - Grants to States	84.027	6B-SF-05	32,012		22,374	
		6B-SF-06	348,661		323,593	
Total Special Education - Grants to States			380,673	0	345,967	0
Safe and Drug-Free Schools and Communities - State Grants	84.186	DR-S1-05	4,210		4,990	
		DR-S1-06	14,394		14,339	
Total Safe and Drug-Free Schools and Communities - State Grants			18,604	0	19,329	0
State Grants for Innovative Programs	84.298	C2-S1-06	5,244		5,244	
Education Technology State Grants	84.318	TJ-S1-05	10,530			
		TJ-S1-06	7,644		10,432	
Total Education Technology State Grants			18,174	0	10,432	0
Rural Education	84.358	RU-S1-06	46,663		46,663	
Improving Teacher Quality State Grants	84.367	TR-S1-05	23,108		17,798	
		TR-S1-06	137,771		142,025	
Total Improving Teacher Quality State Grants			160,879	0	159,823	0
<i>Passed through Shawnee State University</i>						
21st Century Grant Community Learning Centers	84.287	N/A			22,000	
Total United States Department of Education			1,296,547	0	1,255,433	0
UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
State Children's Insurance Program	93.767	N/A	996		996	
Medical Assistance Program	93.778	N/A	10,251		10,251	
Total United States Department of Health and Human Services			11,247	0	11,247	0
Total Federal Awards Receipts and Expenditures			\$ 1,614,286	\$ 45,072	\$ 1,573,172	\$ 45,072

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

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Washington-Nile Local School District, Scioto County, Ohio (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated March 19, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 to determine our auditing procedures to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated March 19, 2007, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the School District's basic 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*. In a separate letter to the School District's management dated March 19, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Mary Taylor, CPA
Auditor of State

March 19, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of the Washington-Nile Local School District, Scioto County, Ohio (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2006. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

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

Mary Taylor, CPA
Auditor of State

March 19, 2007

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

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WASHINGTON – NILE LOCAL SCHOOL DISTRICT

SCIOTO COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2007