WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

REGULAR AUDIT

FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006

Mary Taylor, CPA
Auditor of State

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

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Mary Taylor, CPA
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INDEPENDENT ACCOUNTANTS' REPORT

Waynesfield-Goshen Local School District
Auglaize County
500 North Westminster Street
Waynesfield, Ohio 45896

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 Waynesfield-Goshen Local School District, Auglaize County, (the District), as of and for the fiscal years ended June 30, 2007 and June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 Waynesfield-Goshen Local School District, Auglaize County, as of June 30, 2007 and 2006, and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the fiscal years then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2008, on our consideration of the 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.

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Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information accounting principals generally accepted in the Untied States 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 25, 2008

The discussion and analysis of the financial performance of Waynesfield-Goshen Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2007 are as follows:

- General revenues accounted for $19,857,275, or 94.6 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for $1,136,089, or 5.4 percent of total revenues of $11,245,597.

- Total program disbursements during 2007 were $6,034,402 of which 18.83 percent were covered by program revenues.

- In total, net assets increased $14,958,962.

- The District's major fund includes the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund.

- The General Fund had $5,055,178 in revenues and other financing sources and $5,145,056 in expenditures. The General Fund's balance decreased $89,878 from the prior fiscal year.

- The Bond Retirement Fund had $332,736 in revenues and $275,989 in expenditures. The Bond Retirement Fund's balance increased $56,747 from the prior fiscal year.

- The Locally Funded Initiatives Fund had $106,385 in revenues and $540,230 in expenditures. The Locally Funded Initiatives Fund's balance decreased $433,845 from the prior fiscal year.

- The Classroom Facilities Fund had $4,979,028 in revenues and $1,166,892 in expenditures. The Classroom Facilities Fund's balance increased $3,812,136 from the prior fiscal year.

- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide a greater 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 District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2007. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

> **Governmental Activities -** All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund. While the District uses many funds to account for its financial transactions, the General Fund is the most significant.

> **Governmental Funds** - All of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.
>
> Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.
>
> **Fiduciary Funds -** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2007 compared to fiscal year 2006.

Table 1
Net Assets
Governmental Activities

	2007	2006
Assets:		
Current and Other Assets	$23,217,965	$9,284,009
Capital Assets, Net	6,618,984	5,032,352
Total Assets	29,836,949	14,316,361
Liabilities:		
Current and Other Liabilities	2,507,150	1,885,946
Long-Term Liabilities	4,454,579	4,514,157
Total Liabilities	6,961,729	6,400,103
Net Assets:		
Invested in Capital Assets, Net of Related Debt	2,388,984	742,352
Restricted for:		
Debt Service	261,636	205,541
Capital Outlay	17,517,191	4,220,157
Set-asides	62,421	41,514
Other Purposes	233,897	204,782
Unrestricted	2,411,091	2,501,385
Total	$22,875,220	$7,916,258

Current and capital assets increase was due to the receipt of monies related to the Ohio School Facilities Commission construction project.

Table 2 reflects the changes in net assets for fiscal year 2007 compared to fiscal year 2006.

Table 2
Change in Net Assets
Governmental Activities

	2007	2006
Revenues:		
Program Revenues:		
Charges for Services and Sales	$400,678	$448,953
Operating Grants, Contributions and Interest	735,411	350,468
Capital Grants and Contributions		4,864
Total Program Revenues	1,136,089	804,285
General Revenues:		
Property Taxes	1,226,208	1,160,468
Income Taxes	538,625	479,156
Grants and Entitlements	17,677,128	3,897,967
Interest	389,764	261,288
Gifts and Donations	3,775	34,095
Miscellaneous	12,592	21,606
Proceeds from Sale of Capital Assets	9,182	
Total General Revenues	19,857,275	5,854,580
Total Revenues	20,993,364	6,658,865

(Continued)

Table 2
Change in Net Assets
Governmental Activities
(Continued)

	2007	2006
Expenses:		
Instruction	3,414,454	3,261,454
Support Services:		
Pupils	207,445	211,253
Instructional Staff	223,549	232,775
Board of Education	32,694	10,539
Administration	549,370	559,546
Fiscal	198,814	182,166
Operation and Maintenance of Plant	496,273	444,566
Pupil Transportation	343,034	165,781
Central	11,158	11,416
Non-Instructional	123,731	178,419
Extracurricular Activities	224,024	275,601
Interest and Fiscal Charges	209,856	104,227
Total Expenses	6,034,402	5,637,743
Increase in Net Assets	$14,958,962	$1,021,122

The increase in revenue was primarily attributed to the increase in Grants and Entitlements Not Restricted related to the new school building project. There were also increases noted in property taxes and income taxes. The increase in expenses was not significant.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

Table 3
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
Instruction	$3,414,454	$2,576,130	$3,261,454	$2,776,437
Support Services:				
Pupils	207,445	205,791	211,253	208,990
Instructional Staff	223,549	208,416	232,775	217,691
Board of Education	32,694	32,694	10,539	10,539
Administration	549,370	544,370	559,546	554,546
Fiscal	198,814	192,814	182,166	171,302
Operation and Maintenance of Plant	496,273	496,273	444,566	444,566
Pupil Transportation	343,034	322,954	165,781	165,781
Central	11,158	11,158	11,416	11,416
Non-Instructional	123,731	(57,778)	178,419	(12,602)
Extracurricular Activities	224,024	155,635	275,601	180,565
Interest and Fiscal Charges	209,856	209,856	104,227	104,227
Total Expenses	$6,034,402	$4,898,313	$5,637,743	$4,833,458

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 75 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 81 percent. The remaining 19 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund. Total governmental funds had revenues and other financing sources of $11,243,382 and expenditures of $7,680,612. The net positive change of $3,562,770 in fund balance for the year indicates that the District was able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2007, the District amended its General Fund budget as needed.

Final estimated revenues were $5,025,410, which was more than actual receipts of $5,017,808. Final expenditures were budgeted at $5,357,622 while actual expenditures were $5,217,591. The expenditure difference of $108,686 is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2007, the District had $6,618,984 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2007, the District had $4,230,000 in school improvement general obligation bonds for building improvements. The first bond issue was issued in 1989 and will mature December 1, 2012. The second bond issue was issued in 1995 and will mature December 1, 2018. The third bond issue was issued in 2005 and will mature in December 1, 2032. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2007, the District's overall legal debt margin was ($702,322), with an un-voted debt margin of $39,196. The District was approved as a special needs district by the Ohio Department of Education pursuant to the Ohio Revised Code Section 133.06(E) based upon a future tax valuation of $60,454,877 and a total indebtedness (based upon the projected valuation) of approximately 7.1954%.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Waynesfield is a small rural community of 850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 13 percent of District revenue sources were from local funds, 23 percent was in the form of state draw-downs for the school building project, and the remaining 54 percent was from state and federal funds. The total expenditure per pupil was calculated at $8,510 for fiscal year 2007.

Over the past several years, the District has remained in a good financial position. In November 2005, the district passed a $3,750,000 bond issue for the district portion of construction of a new school building. The State will fund approximately $15,000,000 toward this project through the Ohio School Facilities Commission. In May 2007, the District renewed a one percent income tax levy. This levy provides operating funds for the district. However, future finances are not without challenges as our community changes and state funding is revised.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debra Pierce, Treasurer, Waynesfield-Goshen Local School District, 500 N Westminister Street, Waynesfield, Ohio 45334.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS
JUNE, 30, 2007

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$11,765,797
Materials and Supplies Inventory	3,232
Accrued Interest Receivable	65,015
Accounts Receivable	124
Intergovernmental Receivable	9,747,767
Taxes Receivable	1,387,628
Income Taxes Receivable	248,402
Non-Depreciable Capital Assets	2,454,223
Depreciable Capital Assets, Net	4,164,761
Total Assets	29,836,949
Liabilities:	
Accounts Payable	38,217
Accrued Wages and Benefits	477,326
Contracts Payable	597,531
Intergovernmental Payable	127,720
Matured Compensated Absences Payable	16,142
Deferred Revenue	1,250,214
Long-Term Liabilities:	
Due Within One Year	130,000
Due in More Than One Year	4,324,579
Total Liabilities	6,961,729
Net Assets:	
Invested in Capital Assets, Net of Related Debt	2,388,984
Restricted For:	
Debt Service	261,636
Capital Outlay	17,517,191
Setasides	62,421
Other Purposes	233,897
Unrestricted	2,411,091
Total Net Assets	$22,875,220

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

		Program Revenues		Net(Expense) Revenue and Changes in Net Assets
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Governmental Activities**
Governmental Activities:				
Instruction:				
Regular	$2,509,827	$205,999	$211,706	($2,092,122)
Special	456,285		384,456	(71,829)
Vocational	141,408		36,163	(105,245)
Other	306,934			(306,934)
Support Services:				
Pupils	207,445		1,654	(205,791)
Instructional Staff	223,549		15,133	(208,416)
Board of Education	32,694			(32,694)
Administration	549,370		5,000	(544,370)
Fiscal	198,814		6,000	(192,814)
Operation and Maintenance of Plant	496,273			(496,273)
Pupil Transportation	343,034		20,080	(322,954)
Central	11,158			(11,158)
Operation of Non-Instructional Services	123,731	126,290	55,219	57,778
Extracurricular Activities	224,024	68,389		(155,635)
Debt Service:				
Interest and Fiscal Charges	209,856			(209,856)
Totals	$6,034,402	$400,678	$735,411	($4,898,313)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	730,192
Property Taxes, Levied for Capital Outlay	169,430
Property Taxes, Levied for Debt Service	294,506
Property Taxes, Levied for Other	32,080
Income Taxes	538,625
Grants and Entitlements not Restricted to Specific Programs	17,677,128
Gifts and Donations	3,775
Investment Earnings	389,765
Miscellaneous	12,592
Proceeds from Sale of Capital Assets	9,182
Total General Revenues	19,857,275
Change in Net Assets	14,958,962
Net Assets Beginning of Year	7,916,258
Net Assets End of Year	$22,875,220

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General Fund	Bond Retirement Fund	Locally Funded Initiatives Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$2,874,975	$230,941	$1,919,984	$6,007,858	$669,618	$11,703,376
Materials and Supplies Inventory					3,232	3,232
Accrued Interest Receivable	10,251		23,775	29,528	1,461	65,015
Accounts Receivable	124					124
Intergovernmental Receivable				9,747,767		9,747,767
Taxes Receivable	825,872	335,889			225,867	1,387,628
Income Taxes Receivable	248,402					248,402
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	62,421					62,421
Total Assets	4,022,045	566,830	1,943,759	15,785,153	900,178	23,217,965
Liabilities						
Current Liabilities:						
Accounts Payable	28,694				9,523	38,217
Contracts Payable			60,772	536,759		597,531
Accrued Wages and Benefits	438,634				38,692	477,326
Intergovernmental Payable	117,105				10,615	127,720
Matured Compensated Absences Payable	16,142					16,142
Deferred Revenue	803,624	313,637		9,747,767	209,704	11,074,732
Total Liabilities	1,404,199	313,637	60,772	10,284,526	268,534	12,331,668
Fund Balances						
Reserved:						
Reserved for Encumbrances	66,064				15,253	81,317
Reserved for Property Taxes	60,726	22,252			16,163	99,141
Reserved for Textbooks and Instruction Materials	62,421					62,421
Unreserved, Reported in:						
General Fund	2,428,635					2,428,635
Special Revenue Funds					218,361	218,361
Debt Service Funds		230,941				230,941
Capital Projects Funds			1,882,987	5,500,627	381,867	7,765,481
Total Fund Balances	2,617,846	253,193	1,882,987	5,500,627	631,644	10,886,297
Total Liabilities and Fund Balances	$4,022,045	$566,830	$1,943,759	$15,785,153	$900,178	$23,217,965

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2007

Total Governmental Fund Balances		$10,886,297
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital Assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		6,618,984
Taxes Receivables and Intergovernmental Receivables that do not provide financial resources are not reported as revenues in governmental fund.		9,824,518
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable		
General Obligation Bonds Payable	($4,230,000)	
Compensated Absences Payable	(224,579)	
		(4,454,579)
Net Assets of Governmental Activities		$22,875,220

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General Fund	Bond Retirement Fund	Locally Funded Initiatives Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Local Taxes	$731,677	$295,158			$201,417	$1,228,252
Income Tax	534,366					534,366
Intergovernmental	3,452,687	37,578		$4,839,231	335,276	8,664,772
Interest	125,443		$106,385	139,797	18,140	389,765
Tuition and Fees	189,129				16,768	205,897
Rent	102					102
Extracurricular Activities					68,389	68,389
Gifts and Donations					3,775	3,775
Customer Sales and Services					126,290	126,290
Miscellaneous	12,592					12,592
Total Revenues	5,045,996	332,736	106,385	4,979,028	770,055	11,234,200
Expenditures:						
Current:						
Instruction:						
Regular	2,353,664				126,170	2,479,834
Special	361,202				87,500	448,702
Vocational	140,858					140,858
Other	306,934					306,934
Support Services:						
Pupils	211,383				2,441	213,824
Instructional Staff	176,000				46,640	222,640
Board of Education	32,694					32,694
Administration	525,904				4,439	530,343
Fiscal	179,398	6,133			13,283	198,814
Operation and Maintenance of Plant	487,727					487,727
Pupil Transportation	208,976					208,976
Central	11,158					11,158
Operation of Non-Instructional Services	193				191,855	192,048
Extracurricular Activities	148,965				67,679	216,644
Capital Outlay			540,230	1,166,892	12,438	1,719,560
Debt Service:						
Principal		60,000				60,000
Interest		209,856				209,856
Total Expenditures	5,145,056	275,989	540,230	1,166,892	552,445	7,680,612
Excess of Revenues Over (Under) Expenditures	(99,060)	56,747	(433,845)	3,812,136	217,610	3,553,588
OTHER FINANCING SOURCES:						
Proceeds from Sale of Capital Assets	9,182					9,182
Net Change in Fund Balances	(89,878)	56,747	(433,845)	3,812,136	217,610	3,562,770
Fund Balances at Beginning of Year	2,707,724	196,446	2,316,832	1,688,491	414,034	7,323,527
Fund Balances at End of Year	$2,617,846	$253,193	$1,882,987	$5,500,627	$631,644	$10,886,297

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Net Change in Fund Balances - Total Governmental Funds		$3,562,770
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	$1,796,561	
Depreciation	(158,901)	
		1,637,660
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Gain (Loss) on Disposal of Capital Assets		(51,028)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Income Taxes	4,259	
Delinquent Property Taxes	(2,044)	
Intergovernmental Revenue	9,747,767	
		9,749,982
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		60,000
Other financing sources in governmental funds increase long-term liabilities in the statement of net assets		
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences Payable	(422)	
		(422)
Change in Net Assets of Governmental Activities		$14,958,962

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property and Other Local Taxes	$710,692	$739,892	$739,792	($100)
Income Tax	455,545	491,660	491,660	
Intergovernmental	3,386,005	3,452,743	3,452,687	(56)
Interest	93,576	123,576	122,788	(788)
Tuition and Fees	203,833	192,078	189,129	(2,949)
Rent	55	105	102	(3)
Miscellaneous	46,174	16,174	12,468	(3,706)
Total Revenues	4,895,880	5,016,228	5,008,626	(7,602)
Expenditures:				
Current:				
Instruction:				
Regular	2,269,112	2,427,589	2,392,074	35,515
Special	171,632	370,745	345,822	24,923
Vocational	169,653	171,630	171,625	5
Other	279,127	306,934	306,934	
Support Services:				
Pupils	211,429	213,334	213,335	(1)
Instructional Staff	217,076	175,606	174,604	1,002
Board of Education	9,988	38,782	36,330	2,452
Administration	580,070	551,401	532,281	19,120
Fiscal	166,243	175,566	174,613	953
Operation and Maintenance of Plant	443,978	510,200	500,532	9,668
Pupil Transportation	199,399	213,036	204,580	8,456
Central	11,416	11,416	11,158	258
Operation of Non-Instructional Services	145	195	193	2
Extracurricular Activities	160,954	159,843	153,510	6,333
Total Expenditures	4,890,222	5,326,277	5,217,591	108,686
Excess of Revenues Over (Under) Expenditures	5,658	(310,049)	(208,965)	101,084
Other Financing Sources and Uses:				
Proceeds from Sale of Capital Assets		9,182	9,182	
Refund of Prior Year Expenditures	5,828			
Transfers Out		(31,345)		31,345
Total Other Financing Sources and Uses	5,828	(22,163)	9,182	31,345
Net Change in Fund Balances	11,486	(332,212)	(199,783)	132,429
Fund Balance at Beginning of Year	2,946,319	2,946,319	2,946,319	
Prior Year Encumbrances Appropriated	104,294	104,294	104,294	
Fund Balance at End of Year	$3,062,099	$2,718,401	$2,850,830	$132,429

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2007

	Agency Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$36,001
Liabilities	
Current Liabilities:	
Undistributed Monies	$36,001

See acompanying notes to the basic financial statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established during 1958 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-four square miles. It is located in Allen, Auglaize, and Logan Counties, and includes all of the Village of Waynesfield, and Wayne and Goshen Townships, and parts of Union and Clay Townships.

During fiscal year 2007, the District was staffed by 30 non-certified employees and 50 certified teaching personnel who provided services to 494 students and other community members.

A. The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with six jointly governed organizations and three public entity risk pools. These organizations are the Western Ohio Computer Organization (WOCO), Ohio Hi-Point Joint Vocational School, Auglaize County Local Professional Development Committee, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council, Mercer Auglaize Employee Benefit Trust, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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. Following are the more significant of the District's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the two categories governmental and fiduciary.

1. Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Governmental funds focus 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 General Fund, the Bond Retirement Fund, Locally Funded Initiatives Fund, and the Classroom Facilities Fund are the District's major governmental funds during 2007:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Locally Funded Initiatives Fund – The Locally Funded Initiatives Fund is used to account for the local revenues and expenditures related to the construction of school buildings.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

2. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

1. 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 collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 as an advance, income taxes, grants, investment earnings, tuition, and student fees.

2. Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2007, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

3. Expenditures/Expenses

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 governmental funds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the General Fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2007.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the District's legal level which is the fund, object level for the General Fund and the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund/object level appropriation in the general fund, or alter total fund appropriations for all other funds, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

Investments are stated at cost, which approximates market value.

During fiscal year 2007, investments consisted of Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and non-negotiable certificates of deposit.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2007 amounted to $125,443 and $14,087 assigned from other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and instruction materials.

I. Capital Assets

General capital assets are those assets not specifically related to 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand five hundred dollars. The 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, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 – 75 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 - 10 years
Equipment	5 - 15 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances. The District did not have outstanding interfund loans for the fiscal year ended June 30, 2007.

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

L. 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and bonds are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

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

Net assets restricted for other purposes include resources restricted for food service operations, athletic programs, and federal and state grants. As of June 30, 2007, there were no net assets restricted by enabling legislation.

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

N. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The textbook reserve represents funds set-aside by State statute to be spent on textbooks.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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. The District did not have transfer activity during fiscal year 2007.

P. 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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2007.

3. BUDGETARY BASIS OF ACCOUNTING

While the 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 (Non-GAAP Basis) and Actual presented 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 fund financial statements are the following:

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).

3. BUDGETARY BASIS OF ACCOUNTING

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

Net Change in Fund Balance
Major Governmental Fund

GAAP Basis	($89,878)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2006, Received In Cash FY 2007	243,655
Accrued FY 2007, Not Yet Received in Cash	(281,025)
Expenditure Accruals:	
Accrued FY 2006, Paid in Cash FY 2007	(586,544)
Accrued FY 2007, Not Yet Paid in Cash	600,575
Encumbrances Outstanding at Year End (Budget Basis)	(86,566)
Budget Basis	($199,783)

4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the 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 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 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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, 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;

4. DEPOSITS AND INVESTMENTS (Continued)

2. Bonds, notes, debentures, or any other obligation 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits

At fiscal year end 2007, the carrying amount of the District's deposits was $5,249,765. Based in the criteria described in GASB Statement 40,"Deposits and Investments Risk Disclosure," as of June 30, 2007, $5,107,436 of the District's bank balance of $5,300,644 was exposed to custodial risk as discussed below, while $193,208 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

4. DEPOSITS AND INVESTMENTS (Continued)

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or be a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured

B. Investments

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

Investment Type	Carrying and Fair Value	Less than 1 Year	1-2 Years	2-3 Years	3-5 Years
Federal Home Loan Bank Notes	$1,258,906	$ 200,000	$ 558,906	$500,000	
Federal Home Loan Mortgage Corporation Notes	2,031,170	300,006	1,229,713		$ 501,451
Federal National Mortgage Association Notes	3,261,957	1,235,596	1,519,549		506,812
Total Investments	$6,552,033	$1,735,602	$3,308,168	$500,000	$1,008,263

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, Federal National Mortgage Association Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes represents 19%, 31%, and 50%, respectively, of the District's total investments for 2007.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes for 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2007 were levied after April 1, 2006, on the assessed values as of December 31, 2005, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes for 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Auglaize and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were measurable as of June 30, 2007 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2007 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2007, was $60,726 in the General Fund, $22,252 in the Bond Retirement Fund, $14,934 in the Permanent Improvement Fund, and $1,229 in the One Half Mill Maintenance Levy Fund. The amount available as an advance at June 30, 2006, was $68,841 in the General Fund, $26,374 in the Bond Retirement Fund, $14,984 in the Permanent Improvement Fund Fund, and $2,888 in the One Half Mill Maintenance Levy Fund.

5. PROPERTY TAXES (Continued)

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

	2006 Second-Half Collections		2007 First-Half Collections	
	Amount	**Percent**	**Amount**	**Percent**
Commercial/Industrial	$ 1,681,780	4%	$ 1,671,010	4%
Residential/Agricultural	35,349,740	90%	35,708,220	91%
Public Utilities	1,298,950	4%	1,259,160	3%
General Personal Property	870,992	2%	558,034	2%
Total Assessed Value	$39,201,462	100%	$39,196,424	100%
Tax rate per $1,000 of assessed valuation	$47.70		$47.70	

6. INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1997, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RECEIVABLES

Receivables at June 30, 2007, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

The intergovernmental receivable of $9,747,767 is for School Facilities Commission money.

8. CAPITAL ASSETS

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

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Governmental Activities				
Non-depreciable Capital Assets				
Land	$ 320,405	$ 4,157		$ 324,562
Construction in Progress	347,254	1,782,407		2,129,661
Total Non-depreciable Capital Assets	667,659	1,786,564		2,454,223
Depreciable Capital Assets				
Land Improvements	371,097			371,097
Buildings and Building Improvements	4,901,622		$44,724	4,856,898
Furniture, Fixtures, and Equipment	652,909	9,997	12,642	650,264
Vehicles	517,947		66,428	451,519
Total Depreciable Capital Assets	6,443,575	9,997	123,794	6,329,778

8. CAPITAL ASSETS (Continued)

	Balance at 6/30/06	Additions	Reductions	Balance at 6/30/07
Less Accumulated Depreciation				
Land Improvements	33,359	14,508		47,867
Buildings and Building Improvements	1,325,956	85,794	8,035	1,403,715
Furniture, Fixtures, and Equipment	387,038	32,977	3,420	416,595
Vehicles	332,529	25,622	61,311	296,840
Total Accumulated Depreciation	2,078,882	158,901	72,766	2,165,017
Depreciable Capital Assets, Net	4,364,693	(148,904)	(51,028)	4,164,761
Governmental Activities Capital Assets, Net	$5,032,352	$1,637,660	($51,028)	$6,618,984

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$119,718
Special	468
Support Services:	
Operation and Maintenance of Plant	8,839
Pupil Transportation	20,457
Operation of Non-Instructional Services	2,039
Extracurricular Activities	7,380
Total Depreciation Expense	$158,901

9. RISK MANAGEMENT

A. Property and Liability Insurance

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted for the following insurance coverages. Property and fleet coverages provided by Southwestern Ohio Educational Council Liability, Fleet and Property Program are as follows:

	Maximum Deductible	Coverage
Building and Contents - replacement cost (Includes boiler and machinery)	$1,000/$2,500	$16,062,337
Commercial Auto/Business Auto	1,000	1,000,000
Musical Instruments	1,000	
Audio Visual Equipment/Radios	1,000	
Computers	1,000	
Miscellaneous Scheduled Property	1,000	

9. RISK MANAGEMENT (Continued)

Coverages provided through the Southwestern Ohio Educational Council Liability, Fleet and Property Program are as follows:

	Maximum Deductible	Coverage
General Liability		
Per Occurrence	n/a	$1,000,000
Total per Year	n/a	3,000,000

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

B. Insurance Risk Pool

The District participates in the Mercer Auglaize Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program'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 OSBA.

The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Program to cover the costs of administering the program.

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program 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 Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the Program.

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The 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 state statue per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on the SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2007, 2006, and 2005 were $67,924, $63,539, and $61,131, respectively; 28 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contributions for fiscal year 2007 are $48,892 and are recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site 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% 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.

10. DEFINED PENSION BENEFIT PLANS (Continued)

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2007, 2006, and 2005 were $319,349, $301,499, and $289,628, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005. The unpaid contribution for fiscal year 2007 is $55,363 and is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

11. POST-EMPLOYMENT BENEFITS (Continued)

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2007, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. For the District, this amount equaled $24,565 during fiscal year 2007. The balance in the Health Care Stabilization Fund was $4.1 billion on June 30, 2007. For the year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000. There were 122,934 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2007, the allocation rate is 3.32 percent, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2007, the minimum pay has been established as $35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, District paid $30,380 to fund health care benefits, including the surcharge.

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. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006 (the latest information available), were $158,751,207. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year.

As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221 percent of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

12. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for certified employees, 200 days for administrative employees, and 195 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused sick leave credit to a maximum of 48 days for certified and administrative employees, and 47 days for classified employees.

13. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2007, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	Balance at July 1, 2007	Additions	Deductions	Balance at June 30, 2007	Due Within One Year
1995 School Improvement Bonds 5.85 – 8.25%	$190,000		$10,000	$180,000	$10,000
1989 School Improvement Bonds 7.125%	350,000		50,000	300,000	50,000
2006 OSFC Project Bonds 3.50 – 4.40%	3,750,000			3,750,000	70,000
Total General Obligations	4,290,000		60,000	4,230,000	130,000
Other Long-Term Obligations					
Compensated Absences	224,157	$48,361	47,939	224,579	
Total Long-Term Obligations	$4,514,157	$48,361	$107,939	$4,454,579	$130,000

A. 1995 School Improvement Bonds - On March 1, 1995, the District issued $260,000 in voted general obligation bonds for a building addition. The bonds were issued for a twenty-four year period, with final maturity in fiscal year 2019. The bonds are being retired through the Bond Retirement Debt Service Fund.

B. 1989 School Improvement Bonds - On September 1, 1989, the District issued $1,033,000 in voted general obligation bonds for classroom additions. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2013. The bonds are being retired through the Bond Retirement Debt Service Fund.

C. 2006 School Facilities Bonds – On April 13, 2006, the District issued $3,750,000 in bonds for the construction of a K-12 school building. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2032. The bonds consisted of $890,000 of serial coupon bonds, $2,820,000 in term bonds, and $40,000 in capital appreciation bonds. The bonds are being retired through the Bond Retirement Debt Service Fund.

A portion of the Current Interest Term Bonds maturing December 1, 2017, 2019, 2021, 2023, 2025, and 2027, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the year prior to the years documented below and in the respective principal amounts as follows:

Year	Amount Subject to Mandatory Sinking Fund Redemption	Principal amount Maturing at their stated Maturity
2017	$125,000	$135,000
2019	140,000	145,000
2021	150,000	155,000
2023	160,000	170,000
2025	175,000	190,000
2027	190,000	200,000

13. LONG-TERM OBLIGATIONS (Continued)

The Current Interest Term Bonds maturing December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 as follows:

Year	Principal Amount
2028	$210,000
2029	215,000
2030	225,000

The balance of the principal of the 2031 Term Bonds, $235,000, shall be payable at their stated maturity on December 1, 2031.

The Current Interest Bonds maturing on or after December 1, 2016 are subject to prior redemption on or after December 1, 2015 by and at the sole option of the Board, either in whole or in part (as selected by the Board) on any date and in integral multiples of $5,000, at par plus accrued interest to the redemption date.

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of $5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The Capital Appreciation Serial Bonds will mature in fiscal years 2014 through 2015. The maturity amounts of these bonds each year are $125,000, for a total maturity of $250,000.

D. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general long-term obligations at June 30, 2007, were as follows:

Fiscal Year Ending June 30, 2007	Principal	Interest	Total
2008	$ 130,000	$ 183,859	$ 313,859
2009	130,000	177,167	307,167
2010	135,000	170,288	305,288
2011	165,000	162,691	327,691
2012	175,000	154,279	329,279
2013-2017	530,000	892,069	1,422,069
2018-2022	765,000	554,255	1,319,255
2023-2027	885,000	385,991	1,270,991
2028-2032	1,085,000	173,591	1,258,591
2033	230,000	5,060	235,060
Total	$4,230,000	$2,859,250	$7,089,250

14. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital improvements for fiscal year 2007. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-aside Cash Balance as of June 30, 2006	$41,514	($3,750,000)
Current Year Set-aside Requirement	91,686	91,686
Qualifying Offsets		(168,877)
Qualifying Disbursements	(70,779)	
Cash Balance	62,421	(3,827,191)
Cash Balance Carried Forward to FY 2008	$62,421	($3,750,000)
Reserve Balance June 30, 2007	$62,421	$0

Since the District did not have qualifying disbursements equal to the textbook set-aside in the 2007, the balance is carried forward to the subsequent year in the General Fund as a reserve for textbooks.

During fiscal year 2007, the District had offsets greater than the set-aside requirement for the capital improvements, however, only the excess that is attributable to the bond proceeds may be carried forward to subsequent years.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Auglaize 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 Organization is governed by a board of directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the board. Financial information can be obtained from Cathy Doseck, Treasurer, Auglaize County Educational Service Center (fiscal agent to the Western Ohio Computer Organization,) 129 E. Court St., Sidney, Ohio 45365.

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards. The degree of control exercised by the District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

C. Auglaize County Local Professional Development Committee

The Auglaize County Local Professional Development Committee (LPDC) was established to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The degree of control exercised by any participating school district is limited to its representation on the governing board. Financial information can be obtained from the Auglaize County Educational Service Center, who serves as fiscal agent, 1045 Dearbaugh Street, Wapakoneta, Ohio 45895.

D. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

E. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University.

The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Peg Grimm, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite #2, Wapakoneta, Ohio 45895.

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

16. GROUP PURCHASING POOLS

A. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants.

Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), was established through the Ohio School Boards Association (OSBA) as 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services.

16. GROUP PURCHASING POOLS (Continued)

The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, Treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative, which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

18. RESTRICTED ASSETS

The following amount, which is reflected on the Balance Sheet – Governmental Funds at fiscal year end 2007, is restricted for textbooks.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$62,421

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

The discussion and analysis of the financial performance of Waynesfield-Goshen Local School District (the District) provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2006 are as follows:

- General revenues accounted for $5,854,580, or 88 percent of all revenues. Program specific revenues in the form of operating grants and contributions accounted for $804,285, or 12 percent of total revenues of $6,658,865.

- Total program disbursements during 2006 were $5,637,743 of which 14 percent were covered by program revenues.

- In total, net assets increased $1,021,122.

- The District's major fund includes the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund.

- The General Fund had $4,007,377 in revenues and $4,814,037 in expenditures. The General Fund's balance increased $96,358 from the prior fiscal year.

- The Bond Retirement Fund had $4,108,201 in revenues and other financing sources and $3,918,535 in expenditures. The Bond Retirement Fund's balance increased $88,842 from the prior fiscal year.

- The Locally Funded Initiatives Fund had $2,348,298 in revenues and other financing sources and $31,466 in expenditures. The Locally Funded Initiatives Fund's balance increased $2,316,832 from the prior fiscal year.

- The Classroom Facilities Fund had $2,055,647 in revenues and other financing sources and $367,156 in expenditures. The Classroom Facilities Fund's balance increased $1,688,491 from the prior fiscal year.

- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide a greater 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 District's most significant funds, with all other non-major funds presented in total in a single column. For the District, the General Fund is the most significant fund.

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

> **Governmental Activities -** All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities. These services are primarily funded by property tax revenues and from intergovernmental revenues, including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund. While the District uses many funds to account for its financial transactions, the General Fund is the most significant.

> **Governmental Funds** – All of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using 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 District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.
>
> Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the District's programs. These funds use the accrual basis of accounting.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2006 compared to fiscal year 2005.

Table 1
Net Assets
Governmental Activities

	2006	2005
Assets:		
Current and Other Assets	$9,284,009	$4,602,654
Capital Assets, Net	5,032,352	4,399,782
Total Assets	14,316,361	9,002,436
Liabilities:		
Current and Other Liabilities	1,885,946	1,481,510
Long-Term Liabilities	4,514,157	810,489
Total Liabilities	6,400,103	2,291,999
Net Assets:		
Invested in Capital Assets, Net of Related Debt	742,352	3,799,782
Restricted for:		
Debt Service	205,541	109,514
Capital Outlay	4,220,157	205,114
Set-asides	41,514	29,074
Other Purposes	204,782	155,032
Unrestricted	2,501,385	2,411,921
Total	$7,916,258	$6,710,437

Current assets increase was due to the receipt of proceeds from bonds, which also resulted in the increase to long-term liabilities.

Table 2 reflects the changes in net assets for fiscal year 2006 compared to fiscal year 2005.

Table 2
Change in Net Assets
Governmental Activities

	2006	2005
Revenues:		
Program Revenues:		
Charges for Services and Sales	$448,953	$437,213
Operating Grants, Contributions and Interest	350,468	375,062
Capital Grants and Contributions	4,864	
Total Program Revenues	804,285	812,275
General Revenues:		
Property Taxes	1,160,468	1,001,561
Income Taxes	479,156	438,957
Grants and Entitlements	3,897,967	3,311,774
Interest	261,288	65,003
Gifts and Donations	34,095	56,220
Miscellaneous	21,606	12,792
Total General Revenues	5,854,580	4,886,307
Total Revenues	6,658,865	5,698,582
Expenses:		
Instruction	3,261,454	3,018,848
Support Services:		
Pupils	211,253	207,586
Instructional Staff	232,775	238,666
Board of Education	10,539	17,115
Administration	559,546	498,386
Fiscal	182,166	158,352
Business		557
Operation and Maintenance of Plant	444,566	529,596
Pupil Transportation	165,781	221,056
Central	11,416	13,101
Non-Instructional	178,419	205,359
Extracurricular Activities	275,601	168,902
Interest and Fiscal Charges	104,227	43,219
Total Expenses	5,637,743	5,320,743
Increase in Net Assets	$1,021,122	$377,839

The increase in revenue was attributed to increases in property taxes, income taxes, interest and intergovernmental revenues. The increase in expenses was not significant.

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

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	$3,261,454	$2,776,437	$3,018,848	$2,590,421
Support Services:				
Pupils	211,253	208,990	207,586	195,560
Instructional Staff	232,775	217,691	238,666	166,054
Board of Education	10,539	10,539	17,115	17,115
Administration	559,546	554,546	498,386	493,386
Fiscal	182,166	171,302	158,352	152,352
Business			557	557
Operation and Maintenance of Plant	444,566	444,566	529,596	529,596
Pupil Transportation	165,781	165,781	221,056	221,056
Central	11,416	11,416	13,101	13,101
Non-Instructional	178,419	(12,602)	205,359	6,827
Extracurricular Activities	275,601	180,565	168,902	79,224
Interest and Fiscal Charges	104,227	104,227	43,219	43,219
Total Expenses	$5,637,743	$4,833,458	$5,320,743	$4,508,468

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. The remaining 14 percent is derived from tuition and fees, specific grants, and donations.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. The District's major governmental funds are the General Fund, the Bond Retirement Fund, the Locally Funded Initiatives Fund, and the Classroom Facilities Fund. Total governmental funds had revenues of $14,133,703 and expenditures of $9,881,946. The net positive change of $4,251,757 in fund balance for the year indicates that the District was able to meet current costs. This increase in fund balance is primarily the result of funding the school building project.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2006, the District amended its General Fund budget as needed.

Final estimated revenues were $4,965,866, which was more than actual receipts of $4,877,954. Final expenditures were budgeted at $4,952,065 while actual expenditures were $4,890,049. The $62,016 expenditure difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had $5,032,352 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets, see the notes to the basic financial statements.

Debt

At June 30, 2006, the District had $4,290,000 in school improvement general obligation bonds for building improvements. The first bond issue was issued in 1989 and will mature December 1, 2012. The second bond issue was issued in 1995 and will mature December 1, 2018. The third bond issue was issued in 2005 and will mature in December 1, 2032. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2006, the District's overall legal debt margin was ($761,868), with an un-voted debt margin of $39,201. The District was approved as a special needs district by the Ohio Department of Education pursuant to the Ohio Revised Code Section 133.06(E) based upon a future tax valuation of $60,454,877 and a total indebtedness (based upon the projected valuation) of approximately 7.1954%.

For further information regarding the District's debt, see the notes to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Waynesfield is a small rural community of 850 people in Northwest Ohio. It has a number of small and medium businesses with agriculture having a contributing influence on the economy.

The District is currently operating in the first year of the state biennium budget. 37 percent of District revenue sources were from local funds, and 55 percent was from state and federal grants. The total expenditure per pupil was calculated at $7,539.

Over the past several years, the District has remained in a good financial position. In May 2003, the District passed a five-year permanent improvement levy to generate 4.9 mills for each dollar of valuation. This levy provides a source of funds for maintaining the school buildings and grounds. However, future finances are not without challenges as our community changes and state funding is revised. Some of these challenges are in the future of state funding for schools and the long-term effects of public utility deregulation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Debra Barrett, Treasurer, Waynesfield-Goshen Local School District, 500 N Westminister Street, Waynesfield, Ohio 45896.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2006

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$7,670,285
Materials and Supplies Inventory	3,206
Accrued Interest Receivable	46,951
Accounts Receivable	1,048
Intergovernmental Receivable	4,143
Taxes Receivable	1,356,939
Income Taxes Receivable	201,437
Non-Depreciable Capital Assets	667,659
Depreciable Capital Assets, Net	4,364,693
Total Assets	14,316,361
Liabilities:	
Accounts Payable	63,671
Accrued Wages and Benefits	427,897
Contracts Payable	42,968
Intergovernmental Payable	124,811
Matured Compensated Absences Payable	26,404
Deferred Revenue	1,200,195
Long-Term Liabilities:	
Due Within One Year	60,000
Due in More Than One Year	4,454,157
Total Liabilities	6,400,103
Net Assets:	
Invested in Capital Assets, Net of Related Debt	742,352
Restricted For:	
Debt Service	205,541
Capital Outlay	4,220,684
Setasides	41,514
Other Purposes	204,782
Unrestricted	2,501,385
Total Net Assets	$7,916,258

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

		Program Revenues			Net(Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction:					
Regular	$2,583,966	$218,559	$191,433		($2,173,974)
Special	259,292		75,025		(184,267)
Vocational	139,069				(139,069)
Other	279,127				(279,127)
Support Services:					
Pupils	211,253		2,263		(208,990)
Instructional Staff	232,775		15,084		(217,691)
Board of Education	10,539				(10,539)
Administration	559,546		5,000		(554,546)
Fiscal	182,166		6,000	$4,864	(171,302)
Operation and Maintenance of Plant	444,566				(444,566)
Pupil Transportation	165,781				(165,781)
Central	11,416				(11,416)
Operation of Non-Instructional Services	178,419	135,358	55,663		12,602
Extracurricular Activities	275,601	95,036			(180,565)
Debt Service:					
Interest and Fiscal Charges	104,227				(104,227)
Totals	$5,637,743	$448,953	$350,468	$4,864	(4,833,458)

General Revenues:	
Taxes:	
Property Taxes, Levied for General Purposes	729,554
Property Taxes, Levied for Capital Outlay	165,633
Property Taxes, Levied for Debt Service	237,922
Property Taxes, Levied for Other	27,359
Income Taxes	479,156
Grants and Entitlements not Restricted to Specific Programs	3,897,967
Gifts and Donations	34,095
Investment Earnings	261,288
Miscellaneous	21,606
Total General Revenues	5,854,580
Change in Net Assets	1,021,122
Net Assets Beginning of Year	6,895,136
Net Assets End of Year	$7,916,258

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General Fund	Bond Retirement Fund	Locally Funded Initiatives Fund	Classroom Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$3,009,099	$165,784	$2,293,535	$1,715,401	$444,952	$7,628,771
Materials and Supplies Inventory					3,206	3,206
Accrued Interest Receivable	7,596		23,297	16,058		46,951
Accounts Receivable		948			100	1,048
Intergovernmental Receivable					4,143	4,143
Taxes Receivable	895,732	254,137			207,070	1,356,939
Income Taxes Receivable	201,437					201,437
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	41,514					41,514
Total Assets	4,155,378	420,869	2,316,832	1,731,459	659,471	9,284,009
Liabilities						
Current Liabilities:						
Accounts Payable	51,472				12,199	63,671
Contracts Payable				42,968		42,968
Accrued Wages and Benefits	392,785				35,112	427,897
Intergovernmental Payable	115,883				8,928	124,811
Matured Compensated Absences Payable	26,404					26,404
Deferred Revenue	861,110	224,423			189,198	1,274,731
Total Liabilities	1,447,654	224,423		42,968	245,437	1,960,482
Fund Balances						
Reserved:						
Reserved for Encumbrances	82,782			48,291	4,964	136,037
Reserved for Property Taxes	68,841	26,374			17,872	113,087
Reserved for Textbooks and Instruction Materials	41,514					41,514
Unreserved, Reported in:						
General Fund	2,514,587					2,514,587
Special Revenue Funds					195,330	195,330
Debt Service Funds		170,072				170,072
Capital Projects Funds			2,316,832	1,640,200	195,868	4,152,900
Total Fund Balances	2,707,724	196,446	2,316,832	1,688,491	414,034	7,323,527
Total Liabilities and Fund Balances	$4,155,378	$420,869	$2,316,832	$1,731,459	$659,471	$9,284,009

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

RECONCILATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total Governmental Fund Balances		$7,323,527
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		5,032,352
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		74,536
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable		
General Obligation Bonds Payable	($4,290,000)	
Compensated Absences Payable	(224,157)	
		(4,514,157)
Net Assets of Governmental Activities		$7,916,258

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	General Fund	Bond Retirement Fund	Locally Funded Initiatives Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Revenues:						
Property and Other Local Taxes	$718,760	$230,737			$190,431	$1,139,928
Income Tax	474,534					474,534
Intergovernmental	3,393,595	25,692		$501,751	332,261	4,253,299
Interest	99,080		$90,592	61,602	10,014	261,288
Tuition and Fees	203,713				14,791	218,504
Rent	55					55
Extracurricular Activities					95,036	95,036
Gifts and Donations					34,095	34,095
Customer Sales and Services					135,358	135,358
Miscellaneous	20,658	948				21,606
Total Revenues	4,910,395	257,377	90,592	563,353	811,986	6,633,703
Expenditures:						
Current:						
Instruction:						
Regular	2,283,276				150,752	2,434,028
Special	172,190				85,746	257,936
Vocational	138,331					138,331
Other	279,127					279,127
Support Services:						
Pupils	213,709				3,463	217,172
Instructional Staff	180,932				38,356	219,288
Board of Education	10,539					10,539
Administration	555,858				3,868	559,726
Fiscal	166,210	4,308			11,648	182,166
Operation and Maintenance of Plant	434,255				1,580	435,835
Pupil Transportation	198,927				61,700	260,627
Central	11,416					11,416
Operation of Non-Instructional Services	145				175,513	175,658
Extracurricular Activities	169,122				98,773	267,895
Capital Outlay			31,466	367,156	119,353	517,975
Debt Service:						
Principal		3,810,000				3,810,000
Interest		104,227				104,227
Total Expenditures	4,814,037	3,918,535	31,466	367,156	750,752	9,881,946
Excess of Revenues Over (Under) Expenditures	96,358	(3,661,158)	59,126	196,197	61,234	(3,248,243)
Other Financing Sources and Uses:						
General Obligation Bonds Issued		3,750,000				3,750,000
Notes Issued			2,257,706	1,492,294		3,750,000
Total Other Financing Sources and Uses		3,750,000	2,257,706	1,492,294		7,500,000
Net Change in Fund Balances	96,358	88,842	2,316,832	1,688,491	61,234	4,251,757
Fund Balances at Beginning of Year	2,611,366	107,604			352,800	3,071,770
Fund Balances at End of Year	$2,707,724	$196,446	$2,316,832	$1,688,491	$414,034	$7,323,527

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT FO ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds		$4,251,757
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.		
Capital Outlay - Depreciable Capital Assets	$613,073	
Depreciation	(161,458)	
		451,615
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.		
Gain (Loss) on Disposal of Capital Assets		(3,744)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:		
Income Taxes	4,622	
Delinquent Property Taxes	20,540	
		25,162
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.		60,000
Other financing sources in governmental funds increase long-term liabilities in the statement of net assets		(3,750,000)
Some expenses reported on the statement of activities, such as compensated absences do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:		
Compensated Absences Payable	(13,668)	
		(13,668)
Change in Net Assets of Governmental Activities		$1,021,122

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
Property and Other Local Taxes	$714,573	$776,691	$710,692	($65,999)
Income Tax	418,876	455,590	455,545	(45)
Intergovernmental	3,315,432	3,387,404	3,393,595	6,191
Interest	59,630	89,630	93,576	3,946
Tuition and Fees	201,083	204,768	203,833	(935)
Rent	880	55	55	
Miscellaneous	9,110	45,900	14,830	(31,070)
Total Revenues	4,719,584	4,960,038	4,872,126	(87,912)
Expenditures:				
Current:				
Instruction:				
Regular	2,148,726	2,272,508	2,268,939	3,569
Special	167,601	216,319	171,632	44,687
Vocational	165,884	172,136	169,653	2,483
Other	250,169	275,951	279,127	(3,176)
Support Services:				
Pupils	184,809	212,687	211,429	1,258
Instructional Staff	186,672	218,146	217,075	1,071
Board of Education	17,115	10,284	9,988	296
Administration	503,323	585,428	580,071	5,357
Fiscal	140,562	167,801	166,243	1,558
Operation and Maintenance of Plant	445,533	443,442	443,978	(536)
Pupil Transportation	246,236	203,966	199,399	4,567
Central	13,101	11,416	11,416	0
Operation of Non-Instructional Services		1,000	145	855
Extracurricular Activities	132,164	160,981	160,954	27
Total Expenditures	4,601,895	4,952,065	4,890,049	62,016
Excess of Revenues Over (Under) Expenditures	117,689	7,973	(17,923)	(25,896)
Other Financing Sources and Uses:				
Advances In	5,000			
Refund of Prior Year Expenditures	4,437	5,828	5,828	
Advances Out	(5,000)			
Total Other Financing Sources and Uses	4,437	5,828	5,828	
Net Change in Fund Balances	122,126	13,801	(12,095)	(25,896)
Fund Balance at Beginning of Year	2,880,363	2,880,363	2,880,363	
Prior Year Encumbrances Appropriated	78,051	78,051	78,051	
Fund Balance at End of Year	$3,080,540	$2,972,215	$2,946,319	($25,896)

See accompanying notes to the basic financial statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2006

	Agency Fund
Assets	
Current Assets:	
Equity in Pooled Cash and Cash Equivalents	$32,670
Liabilities	
Current Liabilities:	
Undistributed Monies	$32,670

See accompanying notes to the basic financial statements.

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established during 1958 through the consolidation of existing land areas and school districts. The District serves an area of approximately ninety-four square miles. It is located in Allen, Auglaize, and Logan Counties, and includes all of the Village of Waynesfield, and Wayne and Goshen Townships, and parts of Union and Clay Townships.

During fiscal year 2006, the District was staffed by 31 non-certified employees and 53 certified teaching personnel who provided services to 594 students and other community members.

A. The Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The District is associated with six jointly governed organizations and three public entity risk pools. These organizations are the Western Ohio Computer Organization (WOCO), Ohio Hi-Point Joint Vocational School, Auglaize County Local Professional Development Committee, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, the Southwestern Ohio Educational Purchasing Council, Mercer Auglaize Employee Benefit Trust, the Ohio School Boards Association Workers’ Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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. Following are the more significant of the District’s accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation

The 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.

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

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

2. Fund Financial Statements

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

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the two categories governmental and fiduciary.

1. Governmental Funds

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Governmental funds focus 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 General Fund, the Bond Retirement Fund, Locally Funded Initiatives Fund, and the Classroom Facilities Fund are the District's major governmental funds during 2006:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for property tax revenues to pay the principal and related interest on the school improvement bonds.

Locally Funded Initiatives Fund – The Locally Funded Initiatives Fund is used to account for the local revenues and expenditures related to the construction of school buildings.

Classroom Facilities Fund - The Classroom Facilities Fund is used to account for the revenues and expenditures related to the construction of new school buildings.

The other governmental funds of the District account for grants and other resources, and capital projects of the District whose uses are restricted to a particular purpose.

2. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary funds of the District consist of agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for various student-managed activities.

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

2. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

1. 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 collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. 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 fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange 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 as an advance, income taxes, grants, investment earnings, tuition, and student fees.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Expenditures/Expenses

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 governmental funds.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The District budgets and appropriates its agency funds. The primary level of budgetary control is at the fund, object level for the General Fund, and the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

1. Tax Budget:

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the ensuing fiscal year starting July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund.

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the District's legal level which is the fund, object level for the General Fund and the fund level for all other funds. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District.

The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund/object level appropriation in the general fund, or alter total fund appropriations for all other funds must be approved by the Board of Education.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, except agency funds, consistent with statutory provisions.

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

5. Lapsing of Appropriations*:*

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not re-appropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

Investments are stated at cost, which approximates market value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During fiscal year 2006, investments consisted of Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, a money market account, and non-negotiable certificates of deposit.

As authorized by Ohio statutes, the Board of Education has specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2006 amounted to $99,080 and $8,561 assigned from other District funds.

For presentation of the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventory consists of food held for resale and consumable supplies.

H. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and instruction materials.

I. Capital Assets

General capital assets are those assets not specifically related to 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 on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand five hundred dollars. The 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, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	15 - 30 years
Buildings and Building Improvements	30 – 75 years
Furniture and Fixtures	5 – 20 years
Vehicles	5 - 10 years
Equipment	5 - 15 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances. The District did not have outstanding interfund loans for the fiscal year ended June 30, 2006.

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 District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after ten years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The non-current portion of the liability is not reported.

L. 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 are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, and special termination benefits that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans and bonds are recognized as a liability on the governmental fund financial statements when due.

M. Net Assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net assets restricted for other purposes include resources restricted for food service operations, athletic programs, and federal and state grants. As of June 30, 2006, there were no net assets restricted by enabling legislation.

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

N. Fund Balance Reserves and Designations

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The textbook reserve represents funds set-aside by State statute to be spent on textbooks.

O. Interfund Assets/Liabilities

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities are eliminated on the government-wide statement of net assets.

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. The District did not have transfer activity during fiscal year 2006.

P. 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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2006.

3. BUDGETARY BASIS OF ACCOUNTING

While the 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 (Non-GAAP Basis) and Actual presented 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 fund financial statements are the following:

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).

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

Net Change in Fund Balance
Major Governmental Fund

GAAP Basis	$96,358
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2005, Received In Cash FY 2006	211,214
Accrued FY 2006, Not Yet Received in Cash	(243,655)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(558,498)
Accrued FY 2006, Not Yet Paid in Cash	586,544
Encumbrances Outstanding at Year End (Budget Basis)	(104,058)
Budget Basis	($12,095)

4. DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the District Treasury. Active monies must be maintained either as cash in the 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 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.

4. DEPOSITS AND INVESTMENTS (Continued)

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.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury bills, bonds, notes, 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 obligation 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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;

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, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio); 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. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

4. DEPOSITS AND INVESTMENTS (Continued)

A. Deposits

At fiscal year end 2006, the carrying amount of the District's deposits was $2,296,583. Based in the criteria described in GASB Statement 40,"Deposits and Investments Risk Disclosure," as of June 30, 2006, $2,170,026 of the District's bank balance of $2,390,248 was exposed to custodial risk as discussed below, while $283,222 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or be a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured

B. Investments

As of June 30, 2006, the District had the following investments and maturities:

Investment Type	Carrying and Fair Value	Less than 1 Year	1-2 Years	2-3 Years
Federal Home Loan Bank Notes	$399,024	$199,024	$200,000	
Federal Home Loan Mortgage Corporation Notes	2,029,755	500,000	300,006	$1,229,749
Federal National Mortgage Association Notes	2,951,793	699,709	1,235,596	1,016,488
Money Market Account (cash)	25,800	25,800		
Total Investments	$5,406,372	$1,424,533	$1,735,602	$2,246,237

Interest Rate Risk - The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity.

Credit Risk - The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. The Money Market Account is not rated.

4. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirement in state statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk - The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes, represents approximately 7%, 37%, and 55%, respectively, of the District's total investments for 2006.

5. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes for 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date.

Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2006 were levied after April 1, 2005, on the assessed values as of December 31, 2004, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes for 2006 were levied after April 1, 2005, on the value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

5. PROPERTY TAXES (Continued)

The District receives property taxes from Auglaize and Logan Counties. The County Auditors periodically advances to the 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 represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes, which were 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, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2006 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2006, was $68,841 in the General Fund, $26,374 in the Debt Service Fund, $14,984 in the Capital Projects Fund, and $2,888 in the One Half Mill Maintenance Fund. The amount available as an advance at June 30, 2005, was $60,773 in the General Fund, $8,657 in the Debt Service Fund, $14,617 in the Capital Projects Fund, and $1,395 in the One Half Mill Maintenance Fund.

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**
Commercial/Industrial	$1,282,440	3%	$1,681,780	4%
Residential/Agricultural	33,658,610	90%	35,349,740	90%
Public Utilities	1,472,530	4%	1,298,950	4%
General Personal Property	1,088,078	3%	870,992	2%
Total Assessed Value	$37,501,658	100%	$39,201,462	100%
Tax rate per $1,000 of assessed valuation	$45.60		$47.70	

6. INCOME TAX

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1997, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

7. RECEIVABLES

Receivables at June 30, 2006, consisted of property and income taxes, accounts (rent, student fees, and bond issuance costs), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the non-payment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables for fiscal year 2006 follows:

	Amount
Governmental Activities	
Title VI-B	$3,698
Title I	300
Drug Free Schools	145
Total Intergovernmental Receivables	$4,143

8. CAPITAL ASSETS

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

	Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Non-depreciable Capital Assets				
Land	$183,093	$137,312		$320,405
Construction In Progress		347,254		347,254
Total Non-depreciable Capital Assets	183,093	484,566		667,659
Depreciable Capital Assets				
Land Improvements	362,697	8,400		371,097
Buildings and Building Improvements	4,901,622			4,901,622
Furniture, Fixtures, and Equipment	649,052	3,857		652,909
Vehicles	449,137	116,250	$47,440	517,947
Total Depreciable Capital Assets	6,362,508	128,507	47,440	6,443,575
Less Accumulated Depreciation				
Land Improvements	18,851	14,508		33,359
Buildings and Building Improvements	1,239,432	86,524		1,325,956
Furniture, Fixtures, and Equipment	351,732	35,306		387,038
Vehicles	351,105	25,120	43,696	332,529
Total Accumulated Depreciation	1,961,120	161,458	43,696	2,078,882
Depreciable Capital Assets, Net	4,401,388	(32,951)	3,744	4,364,693
Governmental Activities Capital Assets, Net	$4,584,481	$451,615	$3,744	$5,032,352

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	$121,720
Special	468
Support Services:	
Operation and Maintenance of Plant	8,839
Pupil Transportation	20,686
Non-Instructional Services	2,039
Extracurricular	7,706
Total Depreciation Expense	$161,458

9. RISK MANAGEMENT

A. Property and Liability Insurance

The 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 District contracted for the following insurance coverages. Property and fleet coverages provided by Southwestern Ohio Educational Council Liability, Fleet and Property Program are as follows:

	Maximum Deductible	Coverage
Building and Contents - replacement cost (Includes boiler and machinery)	$1,000/$2,500	$15,484,592
Commercial Auto/Business Auto	1,000	1,000,000
Musical Instruments	1,000	
Audio Visual Equipment/Radios	1,000	
Computers	1,000	
Miscellaneous Scheduled Property	1,000	

Coverages provided through the Southwestern Ohio Educational Council Liability, Fleet and Property Program are as follows:

	Maximum Deductible	Coverage
General Liability		
Per Occurrence	n/a	$1,000,000
Total per Year	n/a	3,000,000

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

B. Insurance Risk Pool

The District participates in the Mercer Auglaize Employee Benefit Trust (the Trust), a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The District pays monthly premiums to the Trust for employee medical and dental insurance coverage. The Trust is responsible for the management and operations of the program. Upon withdrawal from the Trust, a participant is responsible for the payment of all Trust liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

C. Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program'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 OSBA.

The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating districts pay an enrollment fee to the Program to cover the costs of administering the program.

9. RISK MANAGEMENT (Continued)

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. 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 Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program 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 Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

The "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Program. Participation in the Program is limited to school districts that can meet the Program's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the Program.

10. DEFINED PENSION BENEFIT PLANS

A. School Employees Retirement System

The 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 state statue per Chapter 3309 of the Ohio Revised Code. The School Employees Retirement System 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 SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853. It is also posted on the SERS' website, www.ohsers.org, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the 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. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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 statutory maximum amounts, by the SERS' Retirement Board. The District's required contribution for pension obligations to SERS for fiscal years ended 2006, 2005, and 2004 were $63,539, $61,131, and $49,378 respectively; 32 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contributions for fiscal year 2006 are $42,937 and are recorded as a liability within the respective funds.

10. DEFINED PENSION BENEFIT PLANS (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site 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% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2006, plan members are required to contribute 10 percent of their annual covered salaries. The 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 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2006, 2005, and 2004 were $301,499, $289,628, and $275,938, respectively; 80 percent has been contributed for fiscal year 2006 and 100 percent for fiscal years 2005 and 2004. The unpaid contribution for fiscal year 2006 is $60,130.

10. DEFINED PENSION BENEFIT PLANS (Continued)

C. Social Security System

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

11. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14% of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2006, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $3.5 billion on June 30, 2006.For the year ended June 30, 2006, net health care costs paid by STRS Ohio were $282,743,000. There were 119,184 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2006, the allocation rate is 3.42%. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2006, the minimum pay has been established as $35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care costs, including surcharge, were $29,804 for 2006.

Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were $158,751,207. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year.

11. POST-EMPLOYMENT BENEFITS (Continued)

As of June 30, 2006, the value of the health care fund was $295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

12. COMPENSATED ABSENCES

The criteria for determining vacation and sick leave components is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 200 days for certified employees, 200 days for administrative employees, and 195 days for classified employees. Upon retirement, payment is made for one-fourth of the accrued, but unused sick leave credit to a maximum of 48 days for certified and administrative employees, and 47 days for classified employees.

13. NOTES PAYABLE

The District issued general obligation bond anticipation notes during fiscal year 2006 for the construction of a K-12 school building. The School Facilities Construction and Improvement Series 2005 note issuance occurred on December 15, 2005 in the amount of $3,750,000. These notes matured on May 11, 2006 and had an interest rate of 4.30%.

14. LONG-TERM OBLIGATIONS

During the fiscal year ended June 30, 2006, the following changes occurred in obligations reported in the Government -Wide Financial Statements:

	Balance at July 1, 2005	Additions	Deductions	Balance at June 30, 2006	Due Within One Year
1995 School Improvement Bonds 5.85 – 8.25%	$200,000		$10,000	$190,000	$10,000
1989 School Improvement Bonds 7.125%	400,000		50,000	350,000	50,000
2006 OSFC Project Bonds 3.50 – 4.30%		$3,750,000		3,750,000	
Total General Obligations	600,000	3,750,000	60,000	4,290,000	60,000
Other Long-Term Obligations					
Compensated Absences	210,489	13,668		224,157	
Total Long-Term Obligations	$810,489	$3,763,668	$60,000	$4,514,157	$60,000

14. LONG-TERM OBLIGATIONS (Continued)

A. 1995 School Improvement Bonds - On March 1, 1995, the District issued $260,000 in voted general obligation bonds for a building addition. The bonds were issued for a twenty-four year period, with final maturity in fiscal year 2019. The bonds are being retired through the Bond Retirement Debt Service Fund.

B. 1989 School Improvement Bonds - On September 1, 1989, the District issued $1,033,000 in voted general obligation bonds for classroom additions. The bonds were issued for a twenty-three year period, with final maturity in fiscal year 2013. The bonds are being retired through the Bond Retirement Debt Service Fund.

C. 2006 School Facilities Bonds – On April 13, 2006, the District issued $3,750,000 in bonds for the construction of a K-12 school building. The bonds were issued for a twenty-seven year period, with final maturity in fiscal year 2032. The bonds consisted of $890,000 of serial coupon bonds, $2,820,000 in term bonds, and $40,000 in capital appreciation bonds. The bonds are being retired through the Bond Retirement Debt Service Fund.

A portion of the Current Interest Term Bonds maturing December 1, 2017, 2019, 2021, 2023, 2025, and 2027, are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 in the year prior to the years documented below and in the respective principal amounts as follows:

Year	Amount Subject to Mandatory Sinking Fund Redemption	Principal amount Maturing at their stated Maturity
2017	$125,000	$135,000
2019	140,000	145,000
2021	150,000	155,000
2023	160,000	170,000
2025	175,000	190,000
2027	190,000	200,000

The Current Interest Term Bonds maturing December 1, 2031 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the redemption date, on December 1 as follows:

Year	Principal Amount
2028	$210,000
2029	215,000
2030	225,000

The balance of the principal of the 2031 Term Bonds, $235,000, shall be payable at their stated maturity on December 1, 2031.

The Current Interest Bonds maturing on or after December 1, 2016 are subject to prior redemption on or after December 1, 2015 by and at the sole option of the Board, either in whole or in part (as selected by the Board) on any date and in integral multiples of $5,000, at par plus accrued interest to the redemption date.

14. LONG-TERM OBLIGATIONS (Continued)

When partial redemption is authorized, the Current Interest Bonds or portions thereof will be selected by lot within a maturity in such manner as the Bond Registrar may determine, provided, however, that the portion of any such bond so selected will be in the amount of $5,000 or any integral multiple thereof.

If optional redemption of Current Interest Bonds at a redemption exceeding 100 percent is to take place on any date on which a mandatory redemption of such bonds of the same maturity will take place, such bonds to be redeemed by optional redemption are to be selected by the Bond Registrar prior to the selection of such bonds to be redeemed at par on the same date.

The Capital Appreciation Serial Bonds will mature in fiscal years 2014 through 2015. The maturity amounts of these bonds each year are $125,000, for a total maturity of $250,000.

D. Compensated absences will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general long-term obligations at June 30, 2006, were as follows:

Fiscal Year Ending June 30, 2006	Principal	Interest	Total
2007	$60,000	$209,857	$269,857
2008	130,000	183,859	313,859
2009	130,000	177,167	307,167
2010	135,000	170,288	305,288
2011	165,000	162,691	327,691
2010-2016	560,000	916,192	1,476,192
2017-2021	755,000	586,033	1,341,033
2022-2026	850,000	422,626	1,272,626
2027-2031	1,040,000	220,045	1,260,045
2032-2033	465,000	20,350	485,350
Total	$4,290,000	$3,069,108	$7,359,108

14. SET-ASIDE CALCULATIONS AND FUND RESERVES

The 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 year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisitions for fiscal year 2006. Disclosure of this information is required by State statute.

14. SET-ASIDE CALCULATIONS AND FUND RESERVES (Continued)

	Textbooks	Capital Acquisition
Set-aside Cash Balance as of June 30, 2005	$29,074	
Current Year Set-aside Requirement	89,860	$89,860
Qualifying Offsets		(3,750,000)
Qualifying Disbursements	(77,420)	(163,407)
Cash Balance June 30, 2006	$41,514	($3,823,547)
Cash Balance Carried Forward to FY 2007	$41,514	($3,750,000)
Reserve Balance June 30, 2006	$41,514	$0

Since the District did not have qualifying disbursements equal to the textbook set-aside in the 2006, the balance is carried forward to the subsequent year in the General Fund as a reserve for textbooks.

During fiscal year 2006, the District had offsets greater than the set-aside requirement for the capital improvements, however, only the excess that is attributable to the bond proceeds may be carried forward to subsequent years.

15. JOINTLY GOVERNED ORGANIZATIONS

A. Western Ohio Computer Organization

The District is a participant in the Western Ohio Computer Organization (WOCO), which is a computer consortium. WOCO is an association of public school districts within the boundaries of Auglaize, Champaign, Hardin, Logan, and Auglaize 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 Organization is governed by a board of directors consisting of 14 members: the Superintendent of the Fiscal Agent, two Superintendents from each county that is represented, one treasurer representative, a student services representative, and non-voting independent district representative. The degree of control exercised by any participating member is limited to its representation on the board. Financial information can be obtained from Cathy Doseck, Treasurer, Auglaize County Educational Service Center (fiscal agent to the Western Ohio Computer Organization,) 129 E. Court St., Sidney, Ohio 45365.

B. Ohio Hi-Point Joint Vocational School

The Ohio Hi-Point Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio that provides vocational education to students. The JVS is operated under the direction of a Board consisting of one representative from each of the eleven participating school districts' elected boards. The degree of control exercised by the District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from the Ohio Hi-Point Joint Vocational School, Eric Adelsberger, who serves as Treasurer, 2280 State Route 540, Bellefontaine, Ohio 43311.

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Auglaize County Local Professional Development Committee

The Auglaize County Local Professional Development Committee (LPDC) was established to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The degree of control exercised by any participating school district is limited to its representation on the governing board. Financial information can be obtained from the Auglaize County Educational Service Center, who serves as fiscal agent, 1045 Dearbaugh Street, Wapakoneta, Ohio 45895.

D. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (the Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

E. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent of the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University.

The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Peg Grimm, Treasurer, Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite #2, Wapakoneta, Ohio 45895.

F. Southwestern Ohio Educational Purchasing Council (SOEPC)

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity.

Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

16. GROUP PURCHASING POOLS

A. Mercer Auglaize Employee Benefit Trust

The Mercer Auglaize Employee Benefit Trust (the Trust) is a public entity shared risk pool consisting of eleven local school districts and two educational service centers. The Trust is organized as a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical, dental, and vision benefits to the employees of the participants. Each participant's superintendent is appointed to an Administrative Committee, which advises the Trustee, Ohio Bank, concerning aspects of the administration of the Trust.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Trust is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jim Mauntler, Schmidt, Long, and Associates, Inc., 4159 Holland-Sylvania Road, Suite 103, Toledo, Ohio 43623.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), was established through the Ohio School Boards Association (OSBA) as 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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services.

The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, Treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative, which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

17. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2006.

18. RESTRICTED ASSETS

The following amount, which is reflected on the Balance Sheet – Governmental Funds at fiscal year end 2006, is restricted for textbooks.

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	$41,514

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

Waynesfield-Goshen Local School District
Auglaize County
500 North Westminster Street
Waynesfiled, Ohio 45896

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 Waynesfield-Goshen Local School District, Auglaize County, (the District), as of and for the fiscal years ended June 30, 2007 and 2006 which collectively comprise the District's basic financial statements and have issued our report thereon dated April 25, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

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

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

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-001 thru 2007-006.

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Internal Control Over Financial Reporting
(Continued)

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe findings number 2007-002 and 2007-003 are also material weaknesses.

We also noted certain internal control matters that we reported to the District's management in a separate letter dated April 25, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-004, 2007-005, and 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 25, 2008.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and the Board of Education. We intend it for no one other than these specified parties.

Mary Taylor

Mary Taylor, CPA
Auditor of State

April 25, 2008

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FINDINGS
FOR THE FISCAL YEARS ENDING JUNE 30, 2007 AND 2006

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

FINDING NUMBER 2007-001

Significant Deficiency

Food Service Daily Reconciliation Variances

The reconciliation of deposits to supporting documents, along with the explanation for variances, is a control that can be used by an entity to help assure accountability over the collection of receipts and to help identify potential errors and/or irregularities. A daily reconciliation between the food service cash register tapes and the bank deposit was performed by the District's Food Service Manager. However, no explanation was provided on the days when the amounts did not reconcile. In fiscal year 2006, in most instances, the cash register tapes showed less receipts than the actual cash count / amount deposited. In fiscal year 2007, in most instances the cash register tapes showed more receipts than the actual cash count / amount deposited. For fiscal year 2006, the cumulative shortage was $1,825 while in fiscal year 2007 the cumulative overage was $2,356. The District's explanation for the inability to reconcile on a daily basis or explain the variances was the result of the following procedural problems: 1) students that did not have lunch money on a given day were allowed to charge a lunch and these charges were not written down; 2) students sometimes went through the line very quickly and user error could have occurred by a food service employee at one of the cash registers; 3) sales from students with pre-paid accounts may have been recorded both when the money was collected and again when the students went through the lunch line; 4) the students daily account balance sheets which would have helped explain the variances were misplaced.

Failure to reconcile/agree cafeteria receipts to deposits on a daily basis leads to an inability to determine the correct amount of revenue to be collected and deposited on any given day. This could lead to a loss of revenue due to errors and/or irregularities occurring and not being detected in a timely manner.

A control(s) should be implemented that requires all variances to be investigated and the explanation documented on the reconciliations. The District's food service sales activity and reconciliations should be monitored to help assure that all variances are explained and documented on the reconciliations.

OFFICIALS' RESPONSE:

A new Point-of-Sale computer system has been purchased and is currently being used in the cafeteria. This equipment is designed to accurately account for ala carte items; therefore, variances are greatly reduced. When a variance does occur, it is investigated.

FINDING NUMBER 2007-002

Completeness of Monthly Bank to Book Reconciliations

Material Weakness

To help provide meaningful information to the users of a school district's bank to book reconciliations and financial statements, procedures and controls should be in place to help prevent and detect errors. The District's June 30, 2006 bank to book reconciliations did not include a money market account in the amount of $25,800 which represented income from the maturity of a security. As a result of not including this account on the bank to book reconciliations, the District was unable to detect that this amount of interest income should have been recorded on the fiscal year 2006 financial statements. The District recorded this interest revenue in February 2007 when the balance of this money market account was used to purchase an additional security. The accompanying financial statements have been adjusted to reflect this interest income in the correct year.

Errors in the financial statements and bank-to-book reconciliations inhibit the ability of both the District's Treasurer and the Board to monitor financial activity and to make sound financial decisions. Reliance on financial information that contains errors could lead to the material misstatement of the financial statements. In addition, financial information with errors reduces the likelihood that errors and/or irregularities will be detected in a timely manner.

The Treasurer should include all deposit and investment balances of the District on the monthly bank to book reconciliations. This will help the District identify recording errors in a timely manner. Periodically the District's Board or a subcommittee of the Board should review bank to book reconciliations and the supporting documentation to help identify errors.

OFFICIALS' RESPONSE:

All deposit and investment balances of the District are now included on the monthly bank to book reconciliations.

FINDING NUMBER 2007-003

Material Weakness

Recording of Financial Activity

To assist in the effective management and reporting of financial resources, a District should have procedures in place to help assure the proper recording of financial activity in the accounting records and financial statements. The fiscal year 2006 financial statements included but was not limited to the following errors which required adjustment to correctly present the year-end balances and fiscal year activity:

1) An adjustment in the amount of $3,642,412 was made to the entity wide statements and the respective fund statements in order to decrease taxes receivable and deferred revenue/property tax revenue due to an overstatement in the financial statements;
2) An adjustment in the amount of $531,953 was made to the entity wide statements in order to increase capital assets to properly account for construction in progress and to agree the financial statements to the District's capital asset records;

FINDING NUMBER 2007-003
(Continued)

3) The financial statements reported a reduction to “Regular Instruction” instead of “Capital Outlay” when recording construction in progress in the amount of $517,975 on the entity wide statements. After reclassifying construction in progress, an entry had to be made to remove this activity from the financial statements;
4) An audit reclassification in the amount of $42,968 was made to the entity wide statements and the respective fund statements in order to reclassify the expenditures pertaining to the building project from Accounts Payable to Contracts Payable;
5) An adjustment in the amount of $25,800 was made to the entity wide statements and the respective fund statements to record the June interest earned during fiscal year 2006 in the proper period;
6) An adjustment in the amount of $45,255 was made to the entity wide statements and the respective fund statements in order to correct the understated accrued interest receivable in the general investment and construction accounts;
7) An adjustment in the amount of $100,824 was made to the entity wide statements and the respective fund statement to record the fees associated with the bond issuance;
8) An audit reclassification was made in the amount of $10,530 to the entity wide statements and the respective fund statement in order to decrease the overstated Restricted for Set-Aside/Reserved for Textbooks amount on the financial statements;
9) An audit adjustment was made on the entity wide statements and the respective fund statements to properly reflect the $31,345 donated to the District by the Class of 1956 in the proper fund.

The fiscal year 2007 financial statements included but were not limited to the following errors which required adjustment to correctly present the year-end balances and fiscal year activity:

1) An audit adjustment was made to the entity wide statements to increase capital assets by $313,379 in order to report the proper construction in progress balances and to correct the financial statements to agree to the District’s capital asset records;
2) The financial statements reported a reduction to “Regular Instruction” instead of “Capital Outlay” when recording construction in progress in the amount of $1,719,560 on the entity wide statements. After reclassifying construction in progress, an entry had to be made to remove this activity from the financial statements;
3) An audit reclassification in the amount of $597,531 was made to the entity wide statements and respective fund statements in order to reclassify the expenditures pertaining to the building project from Accounts Payable to Contracts Payable;
4) An audit adjustment was made to the entity wide statements and the respective fund statements in order decrease interest revenue in the amount of $25,800 in order to remove the fiscal year 2006 interest that was improperly posted in fiscal year 2007;
5) An audit adjustment in the amount of $3,000 was made to the entity wide statements and the respective fund statement in order to increase accrued interest receivable and interest revenue to correct the understated receivable;
6) An audit reclassification in the amount of $66,234 was made to the entity wide statements and the respective fund statement to decrease Restricted for Set-asides/Reserved for Textbooks amount on the financial statements;
7) An audit adjustment was made in the amount of $31,345 on the entity wide statements and the respective fund statements to remove the transfer activity pertaining to the Class of 1956 scholarship donations since the money was received in fiscal year 2006. An audit adjustment was made to reflect this money in the proper funds for fiscal year 2006.

The accompanying financial statements have been adjusted to correctly reflect all financial activity.

FINDING NUMBER 2007-003
(Continued)

The failure to correctly record financial activity not only impacts the user's understanding of the financial operations, it also inhibits the Board of Education and management's ability to make sound financial decisions. It may also impact the District's ability to comply with budgetary laws, and may result in materially misstated financial statements.

The District should implement review procedures to help assure that the annual financial statements and supporting accounting records properly reflect all financial activity.

OFFICIALS' RESPONSE:

The District will implement procedures to more closely review work performed by the complier in the preparation of financial statements.

FINDING NUMBER 2007-004

Significant Deficiency/Noncompliance/Finding for Recovery Repaid Under Audit

Earnie Jones, Superintendent, received payment for 30 days of vacation beginning with the August 8, 2005 pay date. The payment was spread out over 26 pay periods during fiscal year 2006. There was no clause within Mr. Jones' contract or other District policy allowing him to receive payment for accumulated, unused vacation days. There was also no evidence, such as a Board resolution, that indicated that the Board of Education had approved this payment.

Since there is no written evidence approving the payment to the Superintendent, an overpayment in the amount of $11,363.70 occurred.

Actual days paid:	30 days
Per Diem Rate:	$378.79 (Contract rate of $92,425.91 / 244 working days)
Over payment	$11,363.70

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Earnie Jones in the amount of $11,363.70 in favor of the District' General Fund.

This payment was retroactively approved by the Board of Education at the March 10, 2008, Board meeting with resolution 2008-062.

The payout of leave balances without a contract provision, written policy, or approval in the Board minutes, may result in the financial statements reflecting a material transaction that is not an appropriate or legal expenditure of the District. Prior to the issuance a payment for leave balances, the District should verify that the payment has supporting authority or approval.

OFFICIALS' RESPONSE:

The Superintendent was paid for 30 days of unused vacation at his per diem rate, with the approval of the Board of Education. This payment was re-approved in the form of a resolution at the March 10, 2008 Board meeting.

FINDING NUMBER 2007-005

Significant Deficiency/Noncompliance/Finding for Recovery Repaid Under Audit

According to Article V of the negotiated agreement between the Waynesfield Goshen Local School District Board of Education and the Ohio Association of Public School Employees, Chapter #599, "The number of days allowed for severance pay shall be established at forty-seven (47) days and shall remain at forty-seven for the duration of this Agreement. Any employee not having the maximum accrued sick leave for computation purposes will have severance pay based upon twenty-five percent (25%) of unused sick leave up to the maximum amounts prescribed above."

In fiscal year 2007, Pat Buffenbarger received a severance payment for her balance of 47 days of sick leave at the time of her retirement instead of 25% of this amount, which would be 11.75 days. This resulted in an overpayment of $4,653 as follows:

Actual Days Paid	47.00
Actual Days Allowed	11.75
Difference	35.25
Daily Rate (8 hours * $16.50 per hour)	$132
Overpayment	$4,653

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued former employee Pat Buffenbarger in the amount of $4,653 in favor of the District's General Fund.

On March 11, 2008, this finding for recovery was repaid by Pat Buffenbarger with receipt #20461.

The issuance of severance payments that are not in agreement with contract provisions may result in the financial statements reflecting a material transaction that is not appropriate or legal for the District. The District should review all severance payments to make certain they are allowed per the applicable contract agreement.

OFFICIALS' RESPONSE:

A clerical error resulted in a miscalculation of severance pay. When the error was discovered, the former employee returned the overpayment.

FINDING NUMBER 2007-006

Significant Deficiency/Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2007-006
(Continued)

1. **"Then and Now" Certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the fiscal officer can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

    - Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.

2. **Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. **Super Blanket Certificate** – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval

During fiscal year 2007 and 2006 the District did not properly certify the availability of funds for 24.6% of transactions tested and there was no evidence that the District followed the aforementioned exceptions. Failure to properly certify the availability of funds could result in expenditures greater than appropriations which may lead to negative cash fund balances. In addition, the failure to certify all obligations could result in the District materially misstating encumbrances in the District's annual financial statements.

To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the District's Treasurer certify that the funds are or will be available prior to the obligation by the District. When prior certification is not possible, "then and now" certification should be used.

OFFICIALS' RESPONSE:

Sufficient funds were available for all expenditures during the audit period. A procedure has been established to issue a Then and Now certificate for any purchase order that is issued subsequent to the invoice. In the past, these certificates were not issued if the Purchase Order and the Invoice were dated in the same month.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2005-001	Ohio Rev. Code Section 149.351(A): Destruction of records.	Yes	
2005-002	Food Service Daily Reconciliation Variances	No	Repeated as Finding 2007-001
2005-003	Athletic Ticket Revenue Accountability	No	Repeated as management letter comment.
2005-004	Documentation & Records for Capital Assets	No	Repeated as management letter comment.

Mary Taylor, CPA
Auditor of State

WAYNESFIELD GOSHEN LOCAL SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 27, 2008

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