



Mary Taylor, CPA
Auditor of State

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

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BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Blanchester Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2008, 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, the major fund, and the aggregate remaining fund information of the Blanchester Local School District, Clinton County, Ohio, as of June 30, 2008, and the respective changes in financial position, and where applicable cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2009, 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.

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

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

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

Mary Taylor, CPA
Auditor of State

June 10, 2009

**BLANCHESTER LOCAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2008
(Unaudited)**

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- Net assets of governmental activities decreased \$989,647 which represents a 4% decrease from 2007.
- General revenues accounted for \$11,827,189 in revenue or 77% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$3,596,019 or 23% of total revenues of \$15,423,208 .
- The District had \$16,412,855 in expenses related to governmental activities; \$3,596,019 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$11,827,189 were also used to provide for these programs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The *Statement of Net Assets* and *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 the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. The General Fund and Debt Service Fund are the major funds of the District.

Government-wide Financial Statements

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2008?" The Government-wide Financial Statements answer this question. These statements include *all assets* and *liabilities* using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position has improved or diminished. The causes of this change may be the result of many factors, both financial and non-financial. 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 Government-wide Financial Statements, the overall financial position of the District is presented in the following manner:

- Governmental Activities – Most of the District's programs and services are reported here including instruction, support services, operation of non-instructional services, extracurricular activities, and interest and fiscal charges.

Fund Financial Statements

The analysis of the District's major funds is presented in the Fund Financial Statements. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds.

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

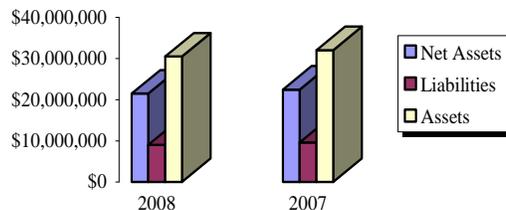
Fiduciary Funds Fiduciary Funds are used to account for resources held for the benefits of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District as a Whole

As stated previously, the Statement of Net Assets looks at the District as a whole. Table 1 provides a summary of the District's net assets for 2008 compared to 2007:

Table 1
Net Assets

	Governmental Activities	
	2008	2007
Assets:		
Current and Other Assets	\$6,498,105	\$7,124,309
Capital Assets	23,995,874	24,913,802
Total Assets	30,493,979	32,038,111
Liabilities:		
Other Liabilities	4,964,018	5,309,535
Long-Term Liabilities	4,062,809	4,271,777
Total Liabilities	9,026,827	9,581,312
Net Assets:		
Invested in Capital Assets, Net of Related Debt	20,501,323	21,204,225
Restricted	1,171,758	1,046,939
Unrestricted	(205,929)	205,635
Total Net Assets	\$21,467,152	\$22,456,799



Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$21,467,152 .

At year-end, capital assets represented 79% of total assets. Capital assets include land, buildings and improvements, and equipment. Capital assets, net of related debt to acquire the assets at June 30, 2008, was \$20,501,323. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$1,171,758 represents resources that are subject to external restriction on how they must be used. The external restriction will not affect the availability of fund resources for future use.

Current and other assets and other liabilities decreased from the prior year primarily due to the decrease in the amount of taxes and intergovernmental receivables and deferred revenue for the District. The District's decrease in capital assets is due to the recognition of \$1,038,149 depreciation expense offset by \$120,221 in equipment additions. Long-term liabilities decreased from 2007 due primarily to the District making regularly scheduled debt service payments for the current year. Invested in capital assets net of debt decreased due to the decrease in capital assets, as explained earlier and the District's principal payments on the debt related to the capital assets.

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

Table 2
Changes in Net Assets

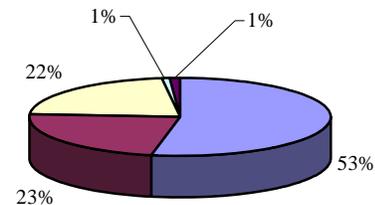
	Governmental Activities	
	2008	2007
Revenues:		
Program Revenues		
Charges for Services	\$1,427,270	\$1,427,284
Operating Grants, Contributions	2,158,065	2,169,221
Capital Grants and Contributions	10,684	17,893
General Revenues:		
Property Taxes	3,367,414	3,410,932
Grants and Entitlements	8,165,878	8,184,995
Other	293,897	274,994
Total Revenues	<u>15,423,208</u>	<u>15,485,319</u>
Program Expenses:		
Instruction	8,703,757	8,494,657
Support Services:		
Pupil and Instructional Staff	2,196,379	2,133,280
School Administrative, General		
Administration, Fiscal and Business	1,556,167	1,670,321
Operations and Maintenance	1,362,839	1,494,880
Pupil Transportation	1,071,645	834,966
Central	27,258	3,749
Operation of Non-Instructional Services	848,525	896,699
Extracurricular Activities	461,943	423,845
Interest and Fiscal Charges	184,342	179,342
Total Program Expenses	<u>16,412,855</u>	<u>16,131,739</u>
Change in Net Assets	(989,647)	(646,420)
Net Assets Beginning of Year	<u>22,456,799</u>	<u>23,103,219</u>
Net Assets End of Year	<u><u>\$21,467,152</u></u>	<u><u>\$22,456,799</u></u>

The District revenues are mainly from two sources. Property taxes levied for general, debt service, special revenue and capital projects purposes and grants and entitlements comprised 75% of the District's revenues for governmental activities.

The District depends greatly on property taxes as a revenue source. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenues generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Thus Ohio districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 22% of revenue for governmental activities for the District in fiscal year 2008.

Revenue Sources	2008	Percent of Total
General Grants	\$8,165,878	53%
Program Revenues	3,596,019	23%
General Tax Revenues	3,367,414	22%
Investment Earnings	145,691	1%
Other Revenues	148,206	1%
	<u>\$15,423,208</u>	<u>100%</u>



Instruction comprises 53% of governmental program expenses. Support services expenses were 38% of governmental program expenses. All other expenses and interest expense was 9%. Interest expense was attributable to the outstanding bond and borrowing for capital projects.

Total revenues for the District remained relatively consistent from 2007 to 2008. Total expenses increased slightly (1.7%) from fiscal year 2007 to 2008, which was mainly due to general inflationary costs.

Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2008	2007	2008	2007
Instruction	\$8,703,757	\$8,494,657	(\$6,655,480)	(\$6,549,360)
Support Services:				
Pupil and Instructional Staff	2,196,379	2,133,280	(1,724,951)	(1,646,114)
School Administrative, General				
Administration, Fiscal and Business	1,556,167	1,670,321	(1,513,430)	(1,628,389)
Operations and Maintenance	1,362,839	1,494,880	(1,318,191)	(1,487,286)
Pupil Transportation	1,071,645	834,966	(991,480)	(765,228)
Central	27,258	3,749	(23,233)	(1,092)
Operation of Non-Instructional Services	848,525	896,699	(177,743)	(160,915)
Extracurricular Activities	461,943	423,845	(227,986)	(99,615)
Interest and Fiscal Charges	184,342	179,342	(184,342)	(179,342)
Total Expenses	<u>\$16,412,855</u>	<u>\$16,131,739</u>	<u>(\$12,816,836)</u>	<u>(\$12,517,341)</u>

The District's Funds

The District has two major governmental funds: the General Fund and Debt Service Fund. Assets of the general fund comprised \$4,964,728 (76%) and the debt service fund comprised of \$752,897 (12%) of the total \$6,538,758 governmental funds assets.

General Fund: Fund balance at June 30, 2008 was \$481,531, which had a decrease in fund balance of \$258,110. The fund balance decreased mainly due to an increase in instruction expense due to general inflationary costs.

Debt Service Fund: Fund balance at June 30, 2008 was \$385,911 including \$350,031 of unreserved balance. The fund balance remained relatively consistent from fiscal year 2007 to 2008.

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 2008, the District amended its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. During the course of the year, the District revised the Budget in an attempt to deal with unexpected changes in revenues and expenditures.

For the General Fund, budget basis revenue was \$12,830,390, compared to original budget estimates of \$12,910,102. Of this \$79,712 difference, most was due to overestimates for taxes and intergovernmental revenue.

The District's ending unobligated cash balance for the General Fund was \$1,724,464.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the District had \$23,995,874 invested in land, buildings and improvements, and equipment. Table 4 shows fiscal 2008 balances compared to fiscal 2007:

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

	Governmental Activities	
	2008	2007
Land	\$474,430	\$474,430
Buildings and Improvements	21,526,801	22,277,908
Equipment	1,994,643	2,161,464
Total Net Capital Assets	<u>\$23,995,874</u>	<u>\$24,913,802</u>

The decrease in capital assets is due to the recognition of \$1,038,149 in depreciation expense offset by \$120,221 in equipment additions.

See Note 6 to the Basic Financial Statements for further details on the District's capital assets.

Debt

At June 30, 2008, the District had \$3,532,526 in bonds payable, \$200,000 due within one year. Table 5 summarizes bonds outstanding at year end.

Table 5
Outstanding Debt, at Year End

	Governmental Activities 2008	Governmental Activities 2007
General Obligation Bonds:		
State Facilities Construction	915,000	1,025,000
2006 Refunding Bonds:		
Current Interest Bonds	2,429,000	2,514,000
Current Appreciation Bonds – Principal Only	85,000	85,000
Current Appreciation Bonds – Compounding Interest	37,975	15,655
Deferred Amount on Refunding Bonds	(142,358)	(151,848)
Premium on Refunding Bonds	207,909	221,770
Total Outstanding Debt at Year End	<u>\$3,532,526</u>	<u>\$3,709,577</u>

See Note 7 to the Basic Financial Statements for further details on the District's long-term obligations.

For the Future

In June of 2005, the State legislature passed House Bill 66. House Bill 66 phases out the tax on tangible personal property of general business, telephone, and telecommunications companies, and railroads. The tax on general business and railroad property began being phased out in 2006 and will be eliminated by 2009. The tax on telephone and telecommunication property will begin being phased out in 2009 and will be eliminated by 2011. The tax is being phased out by reducing the assessment rate on the property each year. In the first five years, school districts are being reimbursed fully for the lost revenue; in the following seven years, the reimbursements are phased out.

This scenario requires management to plan carefully and prudently to provide the resources to meet student needs over the next several years. Financially, the future of the District is not without challenges. Management must diligently plan future expenditures.

All of the District's financial abilities will be needed to meet the challenges of the future. With careful planning and monitoring of the District's finances, the District's management is confident that the District can continue to provide a quality education for our students and provide a secure financial future.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darlene Kassner, Treasurer at Blanchester Local School District, 3580 St. Rt. 28, Blanchester, Ohio 45107. Or E-mail at rogersd@blanchester.k12.oh.us.

Blanchester Local School District
Statement of Net Assets
June 30, 2008

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	\$2,193,873
Restricted Cash and Investments	385,850
Receivables:	
Taxes	3,643,117
Accounts	8,261
Interest	8,209
Intergovernmental	185,932
Deferred Bond Issuance Costs	65,553
Inventory	7,310
Nondepreciable Capital Assets	474,430
Depreciable Capital Assets, Net	<u>23,521,444</u>
 Total Assets	 <u>30,493,979</u>
Liabilities:	
Accounts Payable	147,915
Accrued Wages and Benefits	1,695,206
Accrued Interest Payable	13,195
Unearned Revenue	3,107,702
Long-Term Liabilities:	
Due Within One Year	279,930
Due In More Than One Year	<u>3,782,879</u>
 Total Liabilities	 <u>9,026,827</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	20,501,323
Restricted for:	
Special Revenue	233,618
Debt Service	463,135
Capital Projects	89,155
Set-Aside	385,850
Unrestricted	<u>(205,929)</u>
 Total Net Assets	 <u>\$21,467,152</u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	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	\$6,612,172	\$836,562	\$318,873	\$0	(\$5,456,737)
Special	1,099,038	0	787,381	0	(311,657)
Vocational	377,190	0	105,461	0	(271,729)
Other	615,357	0	0	0	(615,357)
Support Services:					
Pupil	704,602	0	116,374	0	(588,228)
Instructional Staff	1,491,777	0	355,054	0	(1,136,723)
General Administration	27,810	0	0	0	(27,810)
School Administration	1,150,061	956	33,768	0	(1,115,337)
Fiscal	370,035	0	8,013	0	(362,022)
Business	8,261	0	0	0	(8,261)
Operations and Maintenance	1,362,839	2,196	42,452	0	(1,318,191)
Pupil Transportation	1,071,645	0	69,481	10,684	(991,480)
Central	27,258	0	4,025	0	(23,233)
Operation of Non-Instructional Services	848,525	458,347	212,435	0	(177,743)
Extracurricular Activities	461,943	129,209	104,748	0	(227,986)
Interest and Fiscal Charges	184,342	0	0	0	(184,342)
Total Governmental Activities	\$16,412,855	\$1,427,270	\$2,158,065	\$10,684	(12,816,836)

General Revenues:	
Property Taxes Levied for:	
General Purposes	2,794,873
Special Revenue Purposes	57,657
Debt Service Purposes	395,574
Capital Projects Purposes	119,310
Grants and Entitlements not Restricted to Specific Programs	8,165,878
Unrestricted Contributions	13,476
Investment Earnings	145,691
Refunds and Reimbursements	7,168
Other Revenues	127,562
Total General Revenues	11,827,189
Change in Net Assets	(989,647)
Net Assets Beginning of Year	22,456,799
Net Assets End of Year	\$21,467,152

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$1,394,190	\$350,031	\$449,652	\$2,193,873
Restricted Cash and Investments	385,850	0	0	385,850
Receivables:				
Taxes	3,064,186	402,866	176,065	3,643,117
Accounts	8,138	0	123	8,261
Interest	8,209	0	0	8,209
Intergovernmental	38	0	185,894	185,932
Interfund	104,117	0	2,089	106,206
Inventory	0	0	7,310	7,310
Total Assets	4,964,728	752,897	821,133	6,538,758
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable	92,670	0	55,245	147,915
Accrued Wages and Benefits	1,505,199	0	190,007	1,695,206
Compensated Absences	62,462	0	0	62,462
Interfund Payable	0	0	106,206	106,206
Deferred Revenue	2,822,866	366,986	305,037	3,494,889
Total Liabilities	4,483,197	366,986	656,495	5,506,678
Fund Balances:				
Reserved for Encumbrances	33,893	0	40,002	73,895
Reserved for Inventory	0	0	7,310	7,310
Reserved for Property Tax Advances	241,320	35,880	17,098	294,298
Reserved for Set-Aside	385,850	0	0	385,850
Unreserved, Undesignated, Reported in:				
General Fund	(179,532)	0	0	(179,532)
Special Revenue Funds	0	0	49,610	49,610
Debt Service Funds	0	350,031	0	350,031
Capital Projects Funds	0	0	50,618	50,618
Total Fund Balances	481,531	385,911	164,638	1,032,080
Total Liabilities and Fund Balances	\$4,964,728	\$752,897	\$821,133	\$6,538,758

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
 Reconciliation of Total Governmental Fund Balance to
 Net Assets of Governmental Activities
 June 30, 2008

Total Governmental Fund Balance		\$1,032,080
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		23,995,874
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Delinquent Property Taxes	241,117	
Intergovernmental	<u>146,070</u>	
		387,187
In the statement of net assets interest payable is accrued when incurred, whereas in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(13,195)
Some liabilities reported in the statement of net assets do not require the use of current financial resources and therefore are not reported as liabilities in governmental funds.		
Compensated Absences		(467,821)
Deferred bond issuance cost associated with long-term liabilities are not reported in the funds.		65,553
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the funds.		<u>(3,532,526)</u>
Net Assets of Governmental Activities		<u>\$21,467,152</u>
See accompanying notes to the Basic Financial Statements.		

Blanchester Local School District
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$2,780,807	\$393,404	\$174,665	\$3,348,876
Tuition and Fees	836,562	0	0	836,562
Investment Earnings	145,691	0	0	145,691
Intergovernmental	9,076,443	42,133	1,383,957	10,502,533
Extracurricular Activities	0	0	130,165	130,165
Charges for Services	0	0	458,347	458,347
Other Revenues	50,312	0	100,089	150,401
Total Revenues	12,889,815	435,537	2,247,223	15,572,575
Expenditures:				
Current:				
Instruction:				
Regular	5,580,075	0	326,396	5,906,471
Special	1,025,019	0	9,419	1,034,438
Vocational	377,190	0	0	377,190
Other	615,357	0	0	615,357
Support Services:				
Pupil	582,153	0	112,401	694,554
Instructional Staff	1,144,401	0	339,816	1,484,217
General Administration	27,810	0	0	27,810
School Administration	959,640	0	119,277	1,078,917
Fiscal	355,277	9,359	4,157	368,793
Business	8,261	0	0	8,261
Operations and Maintenance	1,291,456	0	7,571	1,299,027
Pupil Transportation	895,668	0	24,810	920,478
Central	23,233	0	4,025	27,258
Operation of Non-Instructional Services	12,057	0	806,975	819,032
Extracurricular Activities	250,328	0	184,964	435,292
Capital Outlay	0	0	221,681	221,681
Debt Service:				
Principal Retirement	0	195,000	0	195,000
Interest and Fiscal Charges	0	162,760	0	162,760
Total Expenditures	13,147,925	367,119	2,161,492	15,676,536
Net Change in Fund Balance	(258,110)	68,418	85,731	(103,961)
Fund Balance Beginning of Year	739,641	317,493	78,907	1,136,041
Fund Balance End of Year	\$481,531	\$385,911	\$164,638	\$1,032,080

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2008

Net Change in Fund Balance - Total Governmental Funds (\$103,961)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital asset additions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of the difference between capital asset additions and depreciation in the current period.

Capital assets used in governmental activities	120,221	
Depreciation Expense	<u>(1,038,149)</u>	(917,928)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent Property Taxes	18,537	
Intergovernmental	<u>(167,904)</u>	(149,367)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 195,000

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds an interest expenditure is reported when due. 737

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	8,191	
Amortization of Bond Issuance Cost	(4,370)	
Amortization of Bond Premium	13,861	
Amortization of Deferred Charge on Refunding	(9,490)	
Bond Accretion	<u>(22,320)</u>	<u>(14,128)</u>

Change in Net Assets of Governmental Activities (\$989,647)

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Equity in Pooled Cash and Investments	\$249,217	\$24,222
Receivables:		
Interest	<u> 657</u>	<u> 0</u>
Total Assets	<u> 249,874</u>	<u> 24,222</u>
Liabilities:		
Accounts Payable	0	1,948
Other Liabilities	<u> 0</u>	<u> 22,274</u>
Total Liabilities	<u> 0</u>	<u> \$24,222</u>
Net Assets:		
Held in Trust	<u> 249,874</u>	
Total Net Assets	<u> \$249,874</u>	

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2008

	<u>Private Purpose Trust</u>
Additions:	
Donations	\$1,300
Investment Earnings	<u>12,809</u>
Total Additions	<u>14,109</u>
Deductions:	
Scholarships	<u>17,647</u>
Total Deductions	<u>17,647</u>
Change in Net Assets	(3,538)
Net Assets Beginning of Year	<u>253,412</u>
Net Assets End of Year	<u><u>\$249,874</u></u>

See accompanying notes to the Basic Financial Statements.

Blanchester Local School District
Notes to the Basic Financial Statements
For The Fiscal Year Ended June 30 , 2009

NOTE 1 - DESCRIPTION OF THE DISTRICT

The Blanchester Local School District (“District”) was originally organized in 1854 and known as Blanchester Village School. On July 1, 1959 Blanchester Village School, Jefferson Township School and Edenton Local School District became Blanchester Local School District. In 1853 State Laws were enacted to create local boards of education. Today, the District operates under current standards prescribed by the Ohio State Board of Education as provided in division (D) of Section 3301.07 and Section 119.01 of the Ohio Revised Code.

The District operates under a locally elected, five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. This board controls the District's four instructional and support facilities staffed by 112 classified, 109 certified and eight administrative employees to provide service to 1,786 students and other community members.

REPORTING ENTITY

In accordance with Governmental Accounting Standards Board [GASB] Statement 14, the financial reporting entity consists of a primary government. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments.

There are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing body is financially accountable. The District's major operations include education, pupil transportation, food service, and maintenance of District facilities.

NOTE 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 most significant of the District's accounting policies are described below.

MEASUREMENT FOCUS

Government-wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets. Fiduciary Funds are not included in entity-wide statements.

The government-wide statement of activities presents a comparison for each function or 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 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 each governmental function is self-financing or draws from the general revenues of the District.

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 reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Fiduciary funds are reported using the economic resources measurement focus.

FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. 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 categories governmental, proprietary and fiduciary.

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 following are the District's major governmental funds:

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 balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources for the payment of general obligation bond principal and interest and certain other long-term obligations from governmental resources when the District is obligated in some manner for the payment.

Fiduciary Funds

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

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the actual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, included property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the 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 year end: property taxes available for advance, grants and interest.

Deferred Revenue

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

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

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

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

EQUITY IN POOLED CASH AND INVESTMENTS

Cash received by the District is pooled for investment purposes. Interest in the pool is presented as “Equity in Pooled Cash and Investments” on the financial statements.

Investments are reported at fair value which is based on quoted market prices.

Interest revenue credited to the general fund during fiscal year 2008 amounted to \$145,691.

INVENTORY

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

CAPITAL ASSETS

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of five hundred dollars (\$500). 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. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Building Improvements	20-40 years
Equipment	3-15 years

COMPENSATED ABSENCES

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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 vested payment method. The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the amount recorded as compensated absences is the amount due at year end. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The entire amount of compensated absences is reported as a fund liability in proprietary funds.

The District's policies regarding compensated absences are determined by the state laws and/or negotiated agreements. In summary, the policies are as follows:

<u>Vacation</u> How Earned	<u>Certified</u> Not Eligible	<u>Administrators</u> Per Contract	<u>Non-Certificated</u> 10-20 days for each service year depending on length of service
Maximum Accumulation	Not Applicable	Not Applicable	Not Applicable
Vested	Not Applicable	As Earned	As Earned
Termination Entitlement	Not Applicable	Not Applicable	Not Applicable
<u>Sick Leave</u> How Earned	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)	1 1/4 days per month of employment (15 days per year)
Maximum Accumulation	215 days	Per Contract	210 days
Vested	As Earned	As Earned	As Earned
Termination Entitlement	Per Contract	Per Contract	Per Contract

NET ASSETS

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Of the District's \$1,171,758 in restricted net assets, none were restricted by enabling legislation.

INTERFUND ACTIVITY

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.

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables" and "interfund payables". These amounts are eliminated in the governmental activities column of the statement of net assets.

As a general rule, the effect of interfund (internal) activity has been eliminated from the government-wide statement of activities. The interfund services provided and used are not eliminated in the process of consolidation.

FUND EQUITY

Reserved fund balances indicate a portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, inventory, property tax advances and set-aside. The reserve for property tax advances represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The unreserved portion of fund equity, reflected for the Governmental Funds, is available for use within the specific purpose of those funds.

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.

RESTRICTED ASSETS

Restricted assets in the general fund represent equity in pooled cash and investments set aside to establish a state mandated reserve for textbook and budget stabilization reserves. A corresponding fund balance reserve has also been established.

NOTE 3 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Investments."

State statute requires the classification of monies held by the District into three categories:

Active Monies - Those monies required to be kept in a "cash" or "near cash" status for immediate use by the District. Such monies must by law be maintained either as cash in the District treasury, in depository accounts payable or withdrawable on demand.

Inactive Monies – Those monies not required for use within the current two year period of designated depositories. Ohio law permits inactive monies to be deposited or invested as certificates of deposit maturing not later than the end of the current period of designated depositories, or as savings or deposit accounts, including, but not limited to passbook accounts.

Interim Monies – 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. Ohio law permits interim monies to be invested or deposited in the following securities:

- (1) Bonds, notes, or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest.
- (2) Bonds, notes, debentures, or other obligations or securities issued by any federal governmental agency.
- (3) No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
- (4) Interim deposits in the eligible institutions applying for interim monies to be evidenced by time certificates of deposit maturing not more than one year from date of deposit, or by savings or deposit accounts, including, but limited to, passbook accounts.
- (5) Bonds, and other obligations of the State of Ohio.

- (6) The Ohio State Treasurer's investment pool (STAR Ohio).
- (7) Commercial paper and banker's acceptances which meet the requirements established by Ohio Revised Code, Sec. 135.142.
- (8) Under limited circumstances, corporate debt interests in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation, 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 moneys deposited with the institution.

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 is 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's policy for deposits is any balance not covered by depository insurance will be collateralized by the financial institutions with pledged securities. As of June 30, 2008, \$492,290 of the District's bank balance of \$692,290 was exposed to custodial risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Ohio Revised Code Chapter 135, Uniform Depository Act, authorizes pledging of pooled securities in lieu of specific securities. Specifically, a designated public depository may pledge a single pool of eligible securities to secure repayment of all public monies deposited in the financial institution, provided that at all times the total value of the securities so pledged is at least equal to 105% of the total amount of all public deposits secured by the pool, including the portion of such deposits covered by any federal deposit insurance.

Investments

As of June 30, 2008, the District had the following investments:

	Fair Value	Aggregate Credit Risk	Weighted Average Maturity (Years)
Federal Home Loan Bank	\$1,072,595	49%	2.75
Federal Home Loan Mortgage Corporation	210,676	10%	2.05
U.S. Treasury Equivalent	902,006	41%	0.00
Total Fair Value	<u>\$2,185,277</u>	<u>100%</u>	
Portfolio Weighted Average Maturity			1.55

Interest rate risk - In accordance with the investment policy, the District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years.

Credit Risk – It is the District’s policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest quality rating issued by nationally recognized statistical rating organizations. The District’s investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and U.S. Treasury Equivalent were rated AAA by Standard and Poor’s and Fitch ratings and Aaa by Moody’s Investment Service.

Concentration of credit risk – The District’s investment policy allows investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and U.S. Treasury Equivalent. The District has invested 100% of its investments in government sponsored enterprise (GSE) securities.

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. All of the District’s securities are either insured and registered in the name of the District or at least registered in the name of the District.

NOTE 4 - PROPERTY TAXES

Real property taxes collected in 2008 were levied in April on the assessed values as of January 1, 2007, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. A re-evaluation of real property is required to be completed no less than every six years, with a statistical update every third year.

Tangible personal property tax is assessed on equipment and inventory held by businesses. Tangible property is assessed at 25 percent of true value (as defined). Each business was eligible to receive a \$10,000 exemption in assessed value which was reimbursed by the State.

The tangible personal property tax will phase out over a four-year period starting with tax year 2006 and ending with no tax due in 2009. This phase-out applies to most business and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reportable on the 2006 and subsequent year returns is not subject to the personal property tax.

Real property taxes are payable annually or semi-annually. If paid annually, payment was due by January 20th. If paid semi-annually, the first payment (at least 1/2 amount billed) was due January 20th with the remainder due on June 20th.

The County Auditor remits portions of the taxes collected to all taxing districts with periodic settlements of real and public utility property taxes in February and August and tangible personal property taxes in June and October. The District records billed but uncollected property taxes as receivables at their estimated net realizable value.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable at June 30, 2008. Delinquent property taxes collected within 60 days are included as a receivable and tax revenue as of June 30, 2008. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is available to finance current year operations. 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 at June 30, 2008, was \$241,320 for General Fund, \$35,880 for Debt Service Funds and \$17,098 for Other Governmental Funds, and is recognized as revenue, with a corresponding reserve to fund balance since the Board did not appropriate these receivables for fiscal year 2008 operations.

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

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

	<u>Amount</u>
Agricultural/Residential and Other Real Estate	\$126,173,590
Public Utility Personal	5,670,190
Tangible Personal Property	<u>9,209,948</u>
Total	<u><u>\$141,053,728</u></u>

NOTE 5 – RECEIVABLES

Receivables at June 30, 2008, consisted of taxes, accounts (rent and student fees), interest, intergovernmental grants and interfund. 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.

NOTE 6 - CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$474,430	\$0	\$0	\$474,430
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	30,057,278	0	0	30,057,278
Equipment	7,280,684	120,221	0	7,400,905
Totals at Historical Cost	<u>37,812,392</u>	<u>120,221</u>	<u>0</u>	<u>37,932,613</u>
Less Accumulated Depreciation:				
Buildings and Improvements	7,779,370	751,107	0	8,530,477
Equipment	5,119,220	287,042	0	5,406,262
Total Accumulated Depreciation	<u>12,898,590</u>	<u>1,038,149</u>	<u>0</u>	<u>13,936,739</u>
Governmental Activities Capital Assets, Net	<u>\$24,913,802</u>	<u>(\$917,928)</u>	<u>\$0</u>	<u>\$23,995,874</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$682,536
Special	64,600
Support Services:	
Pupil	8,044
School Administration	76,058
Operations and Maintenance	52,246
Pupil Transportation	94,050
Operation of Non-Instructional Services	38,352
Extracurricular Activities	22,263
Total Depreciation Expense	<u>\$1,038,149</u>

NOTE 7 - LONG-TERM LIABILITIES

	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due In One Year</u>
Governmental Activities:							
General Obligation Bonds:							
2000 School Facilities Construction	5.67%	12/1/22	\$1,025,000	\$0	\$110,000	\$915,000	\$115,000
2006 Refunding Bonds:							
Current Interest Bonds	4.00%-4.25%	12/1/22	2,514,000	0	85,000	2,429,000	85,000
Current Appreciation Bonds							
Principal Only		12/1/15	85,000	0	0	85,000	0
Current Appreciation Bonds							
Compounding Interest	20.12%-22.01%	12/1/15	15,655	22,320	0	37,975	0
Deferred Amount on Refunding Bonds		12/1/22	(151,848)	0	(9,490)	(142,358)	0
Premium on Refunding Bonds		12/1/22	221,770	0	13,861	207,909	0
Total Bonds			3,709,577	22,320	199,371	3,532,526	200,000
Compensated Absences			562,200	76,654	108,571	530,283	79,930
Total Governmental Activities			<u>\$4,271,777</u>	<u>\$98,974</u>	<u>\$307,942</u>	<u>\$4,062,809</u>	<u>\$279,930</u>

General obligation bonds will be paid from the debt service fund. Compensated absences will be paid from the fund from which the person is paid.

Principal and interest requirements to retire general obligation debt outstanding at year end are as follows:

<u>Fiscal Year Ending June 30</u>	<u>General Obligation Bonds</u>		<u>Capital Appreciation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$200,000	\$153,762	\$0	\$0
2010	220,000	144,046	0	0
2011	214,000	133,789	0	0
2012	200,000	123,706	0	0
2013	220,000	112,151	0	0
2014-2018	800,000	413,869	85,000	415,000
2019-2023	1,490,000	161,383	0	0
Total	<u>\$3,344,000</u>	<u>\$1,242,706</u>	<u>\$85,000</u>	<u>\$415,000</u>

NOTE 8 - PRIOR YEAR DEFEASANCE OF DEBT

As a result of the 2007 advance refunding, the \$2,445,000 of the 2000 School Facilities Construction Bonds and \$179,000 of the Putnam Addition and Junior High Gym Improvement Bonds are considered defeased and the liability is therefore not included on the Statement of Net Assets. The remaining balance on the refunded general obligation bonds as of June 30, 2008 was \$2,445,000.

NOTE 9 - PENSION PLANS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

Funding Policy

Plan members are required to contribute 10% of their annual covered salary and District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll. 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 contributions to SERS for the years ended June 30, 2008, 2007, and 2006 were \$314,352, \$315,288, and \$285,912, respectively; 52% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution, or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. Additional information or copies of STRS Ohio's *Comprehensive Annual Financial Report* can be requested by writing to STRS Ohio, 275 E. Broad Street, Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and Combined Plan are credited members accounts as employers submit their payroll information to STRS Ohio, generally biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits

Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits

Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. 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.

Combined Plan Benefits

Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalizations, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Funding Policy

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10% of covered payroll for members and 14% for employers. The District's contributions to STRS for the years ended June 30, 2008, 2007, and 2006 were \$843,612, \$850,844, and \$742,716, respectively; 84% has been contributed for fiscal year 2008 and 100% for fiscal years 2007 and 2006.

NOTE 10 - POST EMPLOYMENT BENEFITS

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

Plan Description

In addition to a cost-sharing multiple-employer defined benefit pension plan, the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 (the latest information available) was \$93.50; SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2008, the actuarially required allocation was .66%. District contributions for the year ended June 30, 2008 were \$15,269, which equaled the required contributions for the year.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18%. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation, was 11.50% of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$74,546, \$77,020, and \$70,048, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its *Comprehensive Annual Financial Report*. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under *Forms and Publications*.

STATE TEACHERS RETIREMENT SYSTEM OF OHIO

Plan Description

STRS Ohio administers a pension plan that is comprised of: a defined benefit plan; a self-directed defined contribution plan and a combined plan which is a hybrid of the defined benefit and defined contribution plan.

Ohio law authorized STRS Ohio to offer a cost-sharing, multi-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the defined benefit or combined plans. Coverage under the current programs includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients, for the most recent year, pay a portion of the health care cost in the form of monthly premiums.

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Funding Policy

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contributions rate, 1% of covered payroll was allocated to post-employment health care for the year ended June 30, 2008, 2007 and 2006. The 14% employer contribution rate is the maximum rate established under Ohio law. The District contributions for the years ended June 30, 2008, 2007, and 2006 were \$60,258, \$60,775, and \$53,051, respectively.

NOTE 11 - CONTINGENT LIABILITIES

GRANTS

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District as of June 30, 2008.

LITIGATION

The District's attorney estimates that all other potential claims against the District not covered by insurance resulting from all other litigation would not materially affect the financial statements of the District.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

The Miami Valley Educational Computer Association (MVECA) is a jointly governed organization consisting of 27 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. Each of the governments of these schools supports MVECA and shares in a percentage of equity based on the resources provided. MVECA is governed by a board of directors consisting of superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the board. To obtain financial information write to: Tom Faulkner, Director, 330 East Enon Road, Yellow Springs, Ohio 45387.

The Hopewell Special Education Regional Resource Center (Hopewell) is a jointly governed organization created by the Ohio Department of Education at the request of the participating school districts to offer direct and related services to low incidence handicapped students of the region. Seventeen local, city and exempted village school districts receive services from Hopewell. Hopewell is operated under regulations and policies established by the Ohio Department of Education, and its own governing board. The governing board is made up of superintendents from the seventeen school districts plus county board of education, mental retardation and developmental disabilities, and joint vocational school superintendents, as well as three parents of handicapped children in the region. The Southern Ohio Educational Service District acts as fiscal agent. Hopewell receives funding from contracts with each of the member school districts and from Federal and State grants. To obtain financial information write to: Alleyn Unversaw, Treasurer, Southern Ohio Educational Service District, 3321 Airborne Road, Wilmington, Ohio 45177.

NOTE 13 - RELATED ORGANIZATION

Public Library - The Blanchester Public Library is a district political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Blanchester School District Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax-related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Blanchester Public Library, Mrs. Pamela Smith, Clerk/Treasurer, at 110 North Broadway, Blanchester, Ohio 45107.

NOTE 14 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage to or destruction of assets, errors and omissions, employee injuries, and natural disasters. The District addresses these risks by maintaining a comprehensive risk management program through the purchase of various types of liability, inland marine, and property insurance from private carriers. Settled claims have not exceeded commercial coverage in any of the past four years.

The District provides health insurance to employees through a private carrier. They no longer provide benefits through a self insurance program.

NOTE 15 – ACCOUNTABILITY

The following individual funds had a deficit in fund balance at year end:

<u>Fund</u>	<u>Deficit</u>
Special Revenue:	
Summer Intervention	\$5,124
Vocational Education Enhancement	626
Alternative Schools	29,740
Special Education	55,620
Title V	7,510
Improving Teacher Quality	7,051
Food Service	41,316

The deficit fund balance was primarily due to accruals in GAAP. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required not when accruals occur.

NOTE 16 - FUND BALANCE RESERVES FOR SET-ASIDES

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.

For fiscal year ended June 30, 2008, the District was no longer required to set aside funds in the budget reserve set-aside, with the exception of refund monies received from the Bureau of Workers' Compensation, which must be spent for specified purposes.

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set Aside Reserve Balance as of June 30, 2007	\$139,009	\$0	\$117,965
Current Year Set Aside Requirements	275,383	275,383	0
Qualified Disbursements	(146,507)	(118,871)	0
Current Year Offsets	0	(19,150,164)	0
Set Aside Reserve Balance as of June 30, 2008	<u>\$267,885</u>	<u>(\$18,993,652)</u>	<u>\$117,965</u>
Restricted Cash as of June 30, 2008	<u>\$385,850</u>		

Offset credits for capital activity during the year exceeded the amount required for the set-aside, resulting in offset credits of \$18,993,652 available for carryover to offset capital reserve requirements of future years.

NOTE 17 - INTERFUND TRANSACTIONS

Interfund transactions at June 30, 2008, consisted of the following interfund receivables and interfund payables:

	Interfund	
	<u>Receivable</u>	<u>Payable</u>
General Fund	\$104,117	\$0
Other Governmental Funds	<u>2,089</u>	<u>106,206</u>
Total All Funds	<u>\$106,206</u>	<u>\$106,206</u>

Interfund balance/transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budget authorizations; to segregate and to return money to the fund from which it was originally provided once a project is completed.

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

Statement No. 45 addresses how state and local governments should account for and report their costs and obligations related to postemployment healthcare and other non-pension benefits. This also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. Collectively, these benefits are commonly referred to as "other postemployment benefits (OPEB)."

There was no effect on fund balance/net assets as a result of the implementation of these new standards.

REQUIRED SUPPLEMENTARY INFORMATION

Blanchester Local School District
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2008

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Taxes	\$2,747,018	\$2,730,081	\$2,730,081	\$0
Tuition and Fees	838,315	833,136	833,146	10
Investment Earnings	145,492	144,595	144,595	0
Intergovernmental	9,134,740	9,078,419	9,078,419	0
Other Revenues	44,537	44,159	44,262	103
Total Revenues	12,910,102	12,830,390	12,830,503	113
Expenditures:				
Current:				
Instruction:				
Regular	6,043,992	5,559,368	5,559,368	0
Special	1,110,401	1,021,366	1,021,366	0
Vocational	416,020	382,662	382,662	0
Other	680,527	625,960	625,960	0
Support Services:				
Pupil	634,844	583,940	583,940	0
Instructional Staff	1,230,566	1,131,896	1,131,896	0
General Administration	31,495	28,970	28,970	0
School Administration	1,087,489	1,000,291	1,000,291	0
Fiscal	391,917	360,492	360,492	0
Business	8,883	8,171	8,171	0
Operations and Maintenance	1,435,193	1,320,115	1,320,115	0
Pupil Transportation	929,194	854,689	854,689	0
Central	25,258	23,233	23,233	0
Operation of Non-Instructional Services	14,210	13,071	13,071	0
Extracurricular Activities	271,568	249,793	249,793	0
Total Expenditures	14,311,557	13,164,017	13,164,017	0
Excess of Revenues Over (Under) Expenditures	(1,401,455)	(333,627)	(333,514)	113
Other financing sources (uses):				
Advances In	23,025	22,883	22,883	0
Total Other Financing Sources (Uses)	23,025	22,883	22,883	0
Net Change in Fund Balance	(1,378,430)	(310,744)	(310,631)	113
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,035,095	2,035,095	2,035,095	0
Fund Balance End of Year	\$656,665	\$1,724,351	\$1,724,464	\$113

See accompanying notes to the required supplementary information.

Blanchester Local School District
Notes to the Required Supplementary Information
For The Fiscal Year Ended June 30, 2009

NOTE 1 – BUDGETARY PROCESS

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriations resolution and the certificate of estimated resources which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during the fiscal year 2008.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Any budgetary modifications at the fund and function level may only be made by resolution of the Board of Education. The Treasurer is authorized to further allocate appropriations to the function and object level for all funds.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following 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 County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board 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 year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2008.

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 fund and function level of expenditures, which are the legal levels of budgetary control. 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 appropriation or alter total function appropriations within a fund, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund does not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, several supplemental appropriations were legally enacted. 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, other than agency funds, consistent with statutory provisions.

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 appropriations and to determine and maintain legal compliance. 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.

Lapsing of Appropriations

At the close of each 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 reappropriated.

While the District is reporting financial position, results of operations and changes in fund balance 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 Combined Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

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 for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions.

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

	<u>General</u>
GAAP Basis	(\$258,110)
Net Adjustment for Revenue Accruals	(59,312)
Net Adjustment for Expenditure Accruals	37,258
Advances In	22,883
Encumbrances	<u>(53,350)</u>
Budget Basis	<u><u>(\$310,631)</u></u>

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**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through Ohio Department of Education.</i>						
Food Distribution Program	None	10.550	\$0	\$114,009	\$0	\$114,009
Nutrition Cluster:						
National School Breakfast Program	05-PU-2008	10.553	44,763	----	44,763	----
National School Lunch	LLP4-2008	10.555	221,003	----	221,003	----
Total U.S. Department of Agriculture			265,766	114,009	265,766	114,009
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through Ohio Department of Education.</i>						
Education Consolidation and Improvement Act						
Title I - FY 08	C1-S1-08	84.010	268,512	----	224,190	----
Title I - FY 07	C1-S1-07		25,241	----	37,782	----
<i>Total Title I</i>			293,753	0	261,972	0
Special Education Cluster:						
Special Education Grants to States						
IDEA Part B - FY08	6BSF-2008	84.027	351,762	----	336,702	----
IDEA Part B - FY07	6BSF-2007		35,279	----	32,314	----
Educational Handicapped Preschool						
Preschool Subsidy - FY 08	PG-S1-2008	84.173	6,633	----	6,633	----
<i>Total Special Education Cluster</i>			393,674	0	375,649	0
Drug Free Schools						
Student Drug Testing Grant	N/A	84.184	50,000	----	46,363	----
Drug Free Education - Subsidy - FY 08						
Drug Free Education - Subsidy - FY 07	DR-S1-08	84.186	7,222	----	3,666	----
<i>Total Drug Free School Grants</i>	DR-S1-07	84.184	0	----	580	----
			57,222	0	50,609	0
Innovative Educational Program Strategies						
Innovative Ed - FY 08	C2-S1-08	84.298	1,858	----	2,377	----
Additional Programs:						
Educational Technology - FY 08						
Educational Technology - FY 07	TJ-S1-08	84.318	2,519	----	2,519	----
	TJ-S1-07		1,455	----	1,906	----
Improving Teacher Quality - FY 06						
Improving Teacher Quality - FY 07	TR-S1-06	84.367	25,544	----	994	----
<i>Total Additional Programs</i>	TR-S1-07		60,836	----	62,415	----
			90,354	0	67,834	0
<i>Passed through Great Oaks Institute of Technology and Career Development</i>						
Vocational Education Basic Grants to States						
Career Educator	N/A	84.048	4,107	----	4,107	----
Total Department of Education			840,968	0	762,548	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$1,106,734	\$114,009	\$1,028,314	\$114,009

The accompanying notes to this schedule are an integral part of this schedule.

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair value of the commodities received. At June 30, 2008, the District had no significant food commodities in inventory.



Mary Taylor, CPA

Auditor of State

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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

To the Board of Education:

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Blanchester Local School District, Clinton County, Ohio (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated June 10, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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.

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.

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

We noted certain matters that we reported to the District's management in a separate letter dated June 10, 2009.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated June 10, 2009.

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

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

Mary Taylor, CPA
Auditor of State

June 10, 2009



Mary Taylor, CPA

Auditor of State

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

Blanchester Local School District
Clinton County
951 Cherry Street
Blanchester, Ohio 45107

Compliance

We have audited the compliance of Blanchester Local School District, Clinton County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Blanchester Local School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

June 10, 2009

**BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I Grants to Local Educational Agencies CFDA #84.010. Title II Improving Teacher Quality State Grants CFDA #84.367
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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BLANCHESTER LOCAL SCHOOL DISTRICT
CLINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ticket tally sheets were not properly maintained.	Yes	



Mary Taylor, CPA
Auditor of State

BLANCHESTER LOCAL SCHOOL DISTRICT

CLINTON 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
AUGUST 13, 2009**