

VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO

SINGLE AUDIT

JULY 1, 2007 through JUNE 30, 2008

Fiscal Year Audited Under GAGAS: 2008

CAUDILL & ASSOCIATES CPA's

725 5th Street
Portsmouth, Ohio 45662



Mary Taylor, CPA

Auditor of State

Board of Education
Vinton County Local School District
307 West High Street
McArthur, Ohio 45651

We have reviewed the *Independent Auditor's Report* of the Vinton County Local School District, Vinton County, prepared by Caudill & Associates, CPA's, for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Vinton County Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 9, 2009

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VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Vinton County Local School District
307 West High Street
McArthur, Ohio 45651

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Vinton County Local School District, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Vinton County Local School District, Ohio, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

To the Board of Education
Vinton County Local School District
Independent Auditor's Report

The Management's Discussion and Analysis on pages 3 through 15 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 31, 2008

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

The discussion and analysis of the Vinton County Local School District's financial performance provides an overview and analysis 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 our notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

- ▶ The assets of Vinton County Local School District exceeded its liabilities at June 30, 2008 by \$74,464,733. Of this amount, \$57,870,423 represents the total net assets that are invested in capital assets, net of related debt and \$6,800,405 that are restricted for specific purposes. The remaining \$9,793,905 represents unrestricted net assets.
- ▶ In total, net assets of governmental activities increased by \$3,969,523, which represents a 5.63 percent increase from 2007.
- ▶ General revenues accounted for \$19,534,394 or 71.89 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,636,389 or 28.11 percent of total revenues of \$27,170,783.
- ▶ The District had \$23,201,260 in expenses related to governmental activities; only \$7,636,389 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes and grants and entitlements) of \$19,534,394 were sufficient to provide for the remainder of these programs.
- ▶ The District recognizes two major governmental funds: the General and School Construction Funds. In terms of dollars received and spent, the General Fund is significantly larger than all the other funds of the District combined. The General Fund had \$21,108,995 in revenues and other financing sources, and \$21,030,918 in expenditures in fiscal year 2008.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are presented following the requirements of GASB Statement No. 34, and are organized so the reader can understand Vinton County Local School District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: the government-wide financial statements, fund financial statements and notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

Reporting the District as a Whole

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business. 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. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets are important because they serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. The cause of this change may be the result of several factors, some financial and some not. Nonfinancial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required but unfunded educational programs, and other factors. Ultimately, the District's goal is to provide services to our students, not to generate profits as commercial entities do.

The statement of activities presents information showing how the government's net assets changed during the recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

In both of the government-wide financial statements, the District activities are shown as governmental activities. All of the District's programs and services are reported here including instructional services, support services and operation of non-instructional services. These services are funded primarily by taxes, tuition and fees, and intergovernmental revenues including federal and state grants and other shared revenues.

Reporting the District's Most Significant Funds

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. The District's two major governmental funds are the General and the School Construction Funds.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into one of two categories: governmental and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term requirements. 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.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Fiduciary Fund

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Government-Wide Financial Analysis

Recall that the statement of net assets provides the perspective of the District as a whole, showing assets, liabilities, and the difference between them (net assets). Table 1 provides a summary of the District's net assets for 2008 compared to fiscal year 2007:

Table 1
Net Assets

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<u>Assets:</u>		
Current and Other Assets	\$25,333,279	\$38,945,409
Capital Assets, Net	65,436,015	51,296,898
<i>Total Assets</i>	<u>90,769,294</u>	<u>90,242,307</u>
<u>Liabilities:</u>		
Long-Term Liabilities	8,454,259	8,584,644
Other Liabilities	7,850,302	11,162,453
<i>Total Liabilities</i>	<u>16,304,561</u>	<u>19,747,097</u>
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	57,870,423	47,432,992
Restricted	6,800,405	13,864,913
Unrestricted	9,793,905	9,197,305
<i>Total Net Assets</i>	<u><u>\$74,464,733</u></u>	<u><u>\$70,495,210</u></u>

Current and other assets decreased \$13,612,130 from fiscal year 2007 due primarily to decreases in cash balances and in the receivable from the Ohio School Facilities Commission.

Capital assets increased \$14,139,117 as the result of construction of new facilities and land improvements.

Current (other) liabilities decreased by \$3,312,151 due to the reduction of contracts payable related to the construction project.

Long-term liabilities decreased by \$130,385 due to the scheduled principal payments of debt obligations.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

The District's largest portion of net assets is related to amounts invested in capital assets, net of related debt. This accounts for 77.72 percent of net assets. The District used these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to pay these liabilities.

The District's next largest portion of net assets is unrestricted. This accounts for 13.15 percent of net assets. These net assets represent resources that may be used to meet the District's ongoing obligations to its students and creditors.

The remaining balance of \$6,800,405 or 9.13 percent is restricted net assets. The restricted net assets are subject to external restrictions on how they may be used.

Table 2 shows the changes in net assets for fiscal year 2008 and provides a comparison to fiscal year 2007.

**Table 2
Changes in Net Assets**

	Governmental Activities	
	2008	2007
<i>Revenues:</i>		
<i>Program Revenue:</i>		
Charges for Services and Sales	\$522,234	\$588,454
Operating Grants and Contributions	7,114,155	7,119,845
<i>General Revenue:</i>		
Property Taxes	3,916,749	3,373,547
Income Taxes	0	203
Payment in Lieu of Taxes	507,358	0
Unrestricted Grants and Entitlements	13,589,290	13,645,562
Unrestricted Tuition and Fees	376,824	371,641
Investment Earnings	880,621	1,528,348
Miscellaneous	263,552	791,994
<i>Total Revenues</i>	27,170,783	27,419,594
<i>Expenses:</i>		
<i>Program Expenses:</i>		
<i>Instruction:</i>		
Regular	6,155,780	10,972,187
Special	2,531,758	2,396,361
Vocational	263,466	263,356
Other	1,115,466	1,206,579

(Continued)

VINTON COUNTY LOCAL SCHOOL DISTRICT

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2008

(Unaudited)

Table 2
Changes in Net Assets
(Continued)

	<u>2008</u>	<u>2007</u>
<i>Support Services:</i>		
Pupils	1,667,726	1,984,324
Instructional Staff	1,530,258	1,777,467
Board of Education	347,853	154,171
Administration	2,296,787	1,756,617
Fiscal	324,266	344,584
Operation and Maintenance of Plant	2,313,452	2,158,958
Pupil Transportation	1,988,844	2,049,610
Central	844,654	907,641
<i>Operation of Non-Instructional Services:</i>		
Food Service	1,034,629	937,650
Other	102,615	116,129
Extracurricular Activities	333,771	292,435
Interest and Fiscal Charges	349,935	360,950
<i>Total Expenses</i>	<u>23,201,260</u>	<u>27,679,019</u>
<i>Change in Net Assets</i>	3,969,523	(259,425)
Net Assets – Beginning of Year	<u>70,495,210</u>	<u>70,754,635</u>
Net Assets – End of Year	<u><u>\$74,464,733</u></u>	<u><u>\$70,495,210</u></u>

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

The most significant program expenses for the District are Regular Instruction, Special Instruction, Operation and Maintenance of Plant, Administration, Pupil Transportation, Pupils, and Instructional Staff. These programs account for 79.67 percent of the total governmental activities. Regular Instruction accounts for 26.53 percent of the total and represents costs associated with providing general educational services. Special Instruction accounts for 10.91 percent of the total and represents costs associated with providing educational services for handicapped, disadvantaged and other special needs students. Operation and Maintenance of Plant accounts for 9.97 percent of the total and represents costs associated with operating and maintaining the District's facilities. Administration accounts for 9.90 percent of the total and represents costs associated with the overall administrative responsibility for each building and the District as a whole. Pupil Transportation accounts for 8.57 percent of the total and represents costs associated with providing transportation services for students between home and school and to school activities. Pupils, which represent 7.19 percent of the total cost, represent costs associated with activities designed to assess and improve the well-being of pupils and supplement the teaching process. Instructional Staff accounts for 6.60 percent of the total and represents costs associated with assisting instructional staff with providing learning experiences for students.

The majority of the funding for the most significant programs indicated above is from grants and entitlements not restricted for specific programs and operating grants and contributions. Operating grants and contributions and grants and entitlements not restricted for specific programs account for 76.20 percent of total revenues.

As noted previously, the net assets for the governmental activities increased \$3,969,561 or 5.63 percent. This is a change from last year when net assets decreased \$259,425 or 0.37 percent. Total revenues decreased \$248,811 or 0.91 percent over last year, mainly due to a decrease in investment earnings. Expenses decreased \$4,477,759 or 16.18 percent over last year due mainly to the reduction of the expense accrual related to contracts payable for the completed construction project.

The District had program revenue decreases of \$71,910, and decreases in general revenues of \$176,901. The decrease in general revenues is due to a decrease of \$647,727 or 42.38 percent in investment earnings. The decrease in program revenue is due to a \$66,220 decrease in charges for sales and services and a \$5,690 decrease in operating grants and contributions. Property taxes increased \$543,202 or 16.10 percent.

Governmental Activities

Over the past several fiscal years, the District has remained in stable financial condition. This has been accomplished through strong voter support and good fiscal management. The District is heavily dependent on property taxes and intergovernmental revenue and, like most Ohio schools, is hampered by a lack of revenue growth. Property taxes made up 14.42 percent and intergovernmental revenue made up 76.20 percent of the total revenue for the governmental activities in fiscal year 2008.

The Ohio Legislature passed H.B. 920 (1976) and changed the way property taxes function in the State. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, the District would receive from a home valued at \$100,000 and taxed at 1.0 mill, \$35.00 annually. If three years later the home were reappraised and the value increased to \$200,000 (and this increase in value is comparable to other property owners) the effective tax rate would become 0.5 mill and the District would still receive \$35.00 annually. Therefore, the District must regularly return to the voters to maintain a constant level of service.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

The District voters approved a bond retirement tax levy for 3.82 mills in November 1997 as part of a \$5,010,000 bond issue for the construction of a new high school. Of the 3.82 mills, 3.32 mills are used for the retirement of the bonds and the remaining .5 mills are used for repairs and maintenance of the new facilities. In fiscal year 2008, this levy generated \$753,129 in tax revenue for debt service payments.

The District's intergovernmental revenue consists of school foundation basic allowance, homestead and rollback property tax allocation, and federal and state grants. During fiscal year 2008, the District received \$14,953,945 through the State's foundation program, which represents 55.04 percent of the total revenue for the governmental activities. The District relies heavily on this state funding to operate at the current levels of service.

Instruction accounts for 43.39 percent of governmental activities program expenses. Support services expenses make up 48.76 percent of governmental activities program expenses. The statement of activities shows the cost of program services and charges for services and grants offsetting those services.

Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2008 as compared to 2007. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Table 3
Net Cost of Governmental Activities

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	2008	2008	2007	2007
<i>Program Expenses:</i>				
Instruction	\$10,066,470	\$6,269,674	\$14,838,483	\$11,140,382
Support Services	11,313,840	8,843,428	11,133,372	8,256,504
Operation of Non-Instructional Services	1,137,244	(154,689)	1,053,779	3,486
Extracurricular Activities	333,771	256,523	292,435	209,398
Interest and Fiscal Charges	349,935	349,935	360,950	360,950
Total Expenses	<u>\$23,201,260</u>	<u>\$15,564,871</u>	<u>\$27,679,019</u>	<u>\$19,970,720</u>

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. (See Note 2 for discussion of significant accounting policies and procedures). All governmental funds had total revenues and other financing sources of \$33,940,499 and expenditures of \$38,030,540.

Total governmental funds experienced a decrease of \$4,090,041 in fund balance. The decrease in fund balance for the year was most significant in the School Construction Fund, which posted a \$4,824,827 decrease, the result of nearing the end of the construction project. The General Fund had an increase in fund balance of \$78,077 which resulted in an ending fund balance of \$10,745,367.

The District should remain stable in fiscal years 2009 through 2010. However, projections beyond fiscal

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

year 2010 show the District may be unable to meet inflationary cost increases in the long-term without additional tax levies or a meaningful change in state funding of public schools as directed by the Ohio Supreme Court.

Budget Highlights - General Fund

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

During the course of fiscal year 2008, the District amended its General Fund budget several times. The District uses a modified site-based budget technique that is designed to control site budgets while providing building administrators and supervisors flexibility for site management.

The District prepares and monitors a detailed cash flow plan for the General Fund. Actual cash flow is compared to monthly and year-to-date estimates, and a monthly report is prepared for top management and the Board of Education.

For the General Fund, the final budget basis estimate of revenue was \$20,606,213 representing a \$1,488,553 increase from the original budget estimate of \$19,117,660. The final budget reflected a 7.79 percent increase from the original budgeted amount. Most of this difference was due to conservative estimates of intergovernmental revenue. For the General Fund, the final budget basis estimate of expenditures was \$24,299,863 representing an increase of \$5,232,080 from the original budget estimate of \$19,067,783. The final budget reflected a 27.44 percent increase from the original budgeted amount. Most of the difference is due to conservative estimates of appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$77.1 million invested in capital assets, of which all was in governmental activities. That total carries an accumulated depreciation of \$11.7 million. Table 4 shows fiscal year 2008 balances compared to fiscal year 2007.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Table 4
Capital Assets & Accumulated Depreciation at Year End

	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
<i>Nondepreciable Capital Assets:</i>		
Land	\$2,096,364	\$1,177,320
Construction in Progress	7,686,901	32,537,966
<i>Depreciable Capital Assets:</i>		
Land Improvements	8,963,698	2,836,562
Buildings and Improvements	51,497,358	19,180,898
Furniture, Fixtures and Equipment	4,349,283	1,931,699
Vehicles	2,529,340	2,529,340
<i>Total Capital Assets</i>	<u>77,122,944</u>	<u>60,193,785</u>
<i>Less Accumulated Depreciation:</i>		
Land Improvements	1,293,727	892,723
Buildings and Improvements	6,182,170	4,632,448
Furniture, Fixtures and Equipment	1,879,398	1,199,980
Vehicles	2,331,634	2,171,736
<i>Total Accumulated Depreciation</i>	<u>11,686,929</u>	<u>8,896,887</u>
Capital Assets, Net	<u>\$65,436,015</u>	<u>\$51,296,898</u>

More detailed information pertaining to the District's capital asset activity can be found in Note 10 of the notes to the basic financial statements.

Debt Administration

At June 30, 2008, the District had \$6,840,000 in general obligation bonds and \$517,933 in capital leases outstanding with \$426,531 due within one year. Table 5 summarizes bonds and capital leases outstanding for fiscal year 2008 compared to fiscal year 2007.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)

Table 5
Outstanding Debt, Governmental Activities at Year End

Purpose	2008	Restated 2007
General Obligation Bonds	\$6,840,000	\$7,100,000
Capital Leases	517,933	247,942
Total	\$7,357,933	\$7,347,942

More detailed information pertaining to the District's long-term debt activity can be found in Note 14 of the notes to the basic financial statements.

Current Issues

Although considered a mid-wealth district, Vinton County Local School District is financially stable, and has been over the past several years. As indicated in the preceding financial information, the District is heavily dependent on intergovernmental revenue. Fifty-five percent of the District's funding is received through the State's foundation program, which along with other various grants and entitlements makes up over 76 percent of the District's revenue. The District relies on state and federal funding to operate at the current level of services. Therefore, in the long-term, the current program and staffing levels will be dependent on increased funding to meet inflation. Careful financial planning and the passage of a building levy have permitted the District to provide a quality education for our students along with renovated facilities for the future.

In the spring of 2002, the Ohio Supreme Court issued its fourth split decision regarding the State's school funding plan. The majority opinion identified aspects of the current plan that require modification if the plan is to be considered constitutional. However, in December of 2002 the Court again ruled in a split decision that the State's plan was not acceptable. The Ohio Supreme Court had two new Justices beginning in calendar year 2003 and another in calendar year 2006 and the new court may be called upon to address the issue. On August 14, 2004 the Ohio Coalition for Adequacy and Equity filed petition for a Writ of Certiorari with the United States Supreme Court. On October 20, 2004 the United States Supreme Court declined to review the State's continued operation of a school funding plan declared unconstitutional by the Ohio Supreme Court on four separate occasions. At this time there can be no reasonable estimate of these discussions or their impact on school funding.

As of the date of these financial statements, the District is unable to determine what effect, if any, these decisions will have on its future State funding and on its financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

In 2005 the Ohio State Legislature passed HB66 which was the biennial budget bill (2006 and 2007) for the State of Ohio which included several provisions impacting school funding beyond FY2006:

- Elimination of Tangible Personal Property – This is the tax paid by businesses based on the value of their inventory, equipment, and fixtures. This property value is taxed at the full inside and voted tax rate and is not subject to the inflationary controls of HB920 passed in 1976. The State is phasing out this tax by reducing the 2004 value by 25% each year beginning in 2007 and ending in 2010. Ohio school districts are to be “held harmless” by receiving state funds to off-set the amount lost due to the decrease in value. This “hold harmless” is to be at 100% through 2011 and then it will begin to be phased down to zero in 2018.

Vinton County Local School District had a \$7.2 million tangible personal property valuation which generated approximately \$475,000 tax dollars annually. While the “hold harmless” provisions of this bill will keep us at the same funding level as 2004, it does not allow for growth and the District will need to find ways to reduce costs or increase local funding when the phase out period begins in 2012.

- State Funding Guarantees – There was a provision prior to FY2007 that provided a guarantee to districts that they would not fall below the amount of state basic aid they received in FY1998. They have, however, replaced that guarantee with other guarantee items as well as total basic aid funding.

The Vinton County Local School District does not anticipate any meaningful growth or loss in revenue as a result of these changes. Based on these factors, the Board of Education and the administration of the District must maintain careful financial planning and prudent fiscal management in order to preserve the financial stability of the District.

Residential growth has not eluded the District over the past few years. Increasing numbers of housing developments are being approved by the townships. The new developments are attracting young families to the area as evidenced by the residential permits issued in the townships. Residential/agricultural property contributes 79 percent of the District's real estate valuation.

Commercial growth saw an increase in assessed valuation of public utility personal in calendar year 2008. This was mainly due to increased valuation of the small businesses located throughout the District.

The District entered into an agreement with the Ohio School Facilities Commission on November 15, 2004 to build 3 new elementary schools, one new middle school, renovate/add on to Vinton County High School, and abate and demolish Allensville, Hamden, McArthur, Swan, Wilton, and Zaleski elementary schools and Vinton County Jr. High School.

The District's share required under the agreement is \$4,550,267 and the State share is \$42,517,221 with a total budget of \$47,067,488. In December 2005, the District issued \$5,715,000 in School Facilities Construction and Improvement and Advance Refunding Bonds. A portion of the issue was to retire the remaining amount on the bonds issued in 1998, with the remaining amount to retire the Bond Anticipation Notes issued to cover the District's share of the construction costs.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008
(Unaudited)*

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 received. If you have any questions about this report or need additional information contact Erica Zinn, Treasurer of Vinton County Local School Board of Education, 307 West High Street, McArthur, Ohio 45651.

VINTON COUNTY LOCAL SCHOOL DISTRICT

Statement of Net Assets

June 30, 2008

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$18,372,736
Property Taxes Receivable	4,530,123
Intergovernmental Receivable	706,804
Accrued Interest Receivable	72,566
Prepaid Items	40,593
Inventory Held for Resale	8,425
<u>Restricted Assets:</u>	
Cash and Cash Equivalents	1,505,130
Unamortized Bond Issuance Costs	96,902
Nondepreciable Capital Assets	9,783,265
Depreciable Capital Assets, Net	<u>55,652,750</u>
Total Assets	<u>90,769,294</u>
<u>Liabilities:</u>	
Accounts Payable	8,265
Contracts Payable	951,963
Accrued Wages and Benefits	2,496,895
Intergovernmental Payable	586,767
Retainage Payable	511,431
Accrued Interest Payable	21,764
Matured Compensated Absences Payable	12,500
Deferred Revenue	3,260,717
<u>Long-Term Liabilities:</u>	
Due within One Year	512,536
Due in More Than One Year	<u>7,941,723</u>
Total Liabilities	<u>16,304,561</u>
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	57,870,423
<u>Restricted for:</u>	
Debt Service	1,705,528
Capital Projects	2,562,943
Set Asides	993,699
Other Purposes	1,538,235
Unrestricted	<u>9,793,905</u>
Total Net Assets	<u><u>\$74,464,733</u></u>

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2008

	<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
<i>Instruction:</i>				
Regular	\$6,155,780	\$151,820	\$1,621,515	(\$4,382,445)
Special	2,531,758	0	1,968,641	(563,117)
Vocational	263,466	0	54,820	(208,646)
Other	1,115,466	0	0	(1,115,466)
<i>Support Services:</i>				
Pupils	1,667,726	0	512,946	(1,154,780)
Instructional Staff	1,530,258	0	542,034	(988,224)
Board of Education	347,853	0	0	(347,853)
Administration	2,296,787	64,517	281,933	(1,950,337)
Fiscal	324,266	0	6,950	(317,316)
Operation and Maintenance of Plant	2,313,452	0	0	(2,313,452)
Pupil Transportation	1,988,844	0	1,062,032	(926,812)
Central	844,654	0	0	(844,654)
<i>Operation of Non-Instructional Services:</i>				
Food Services	1,034,629	229,763	886,587	81,721
Other	102,615	0	175,583	72,968
Extracurricular Activities	333,771	76,134	1,114	(256,523)
Interest and Fiscal Charges	349,935	0	0	(349,935)
<i>Total Governmental Activities</i>	<u>\$23,201,260</u>	<u>\$522,234</u>	<u>\$7,114,155</u>	<u>(15,564,871)</u>
 <u>General Revenues:</u>				
<i>Property Taxes Levied for:</i>				
General Purposes				3,094,012
Capital Outlay				66,608
Debt Service				756,129
Grants and Entitlements not Restricted to Specific Programs				13,589,290
Tuition and Fees				376,824
Payments in Lieu of Taxes				507,358
Investment Earnings				880,621
Miscellaneous				263,552
<i>Total General Revenues</i>				<u>19,534,394</u>
Change in Net Assets				3,969,523
<i>Net Assets at Beginning of Year</i>				<u>70,495,210</u>
<i>Net Assets at End of Year</i>				<u><u>\$74,464,733</u></u>

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

*Balance Sheet
Governmental Funds
June 30, 2008*

	General	School Construction	All Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$11,735,589	\$3,459,285	\$3,177,862	\$18,372,736
Property Taxes Receivable	3,644,681	0	885,442	4,530,123
Intergovernmental Receivable	0	42,581	664,223	706,804
Accrued Interest Receivable	72,566	0	0	72,566
Interfund Receivable	46,406	0	0	46,406
Prepaid Items	37,458	3,135	0	40,593
Inventory Held for Resale	0	0	8,425	8,425
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	993,699	511,431	0	1,505,130
Total Assets	\$16,530,399	\$4,016,432	\$4,735,952	\$25,282,783
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities:</u>				
Accounts Payable	1,267	1,047	5,951	8,265
Contracts Payable	0	951,963	0	951,963
Accrued Wages and Benefits	2,043,722	0	453,173	2,496,895
Intergovernmental Payable	505,597	0	81,170	586,767
Retainage Payable	0	511,431	0	511,431
Interfund Payable	0	0	46,406	46,406
Matured Compensated Absences Payable	0	0	12,500	12,500
Deferred Revenue	3,234,446	42,581	1,293,572	4,570,599
Total Liabilities	5,785,032	1,507,022	1,892,772	9,184,826
<u>Fund Balances:</u>				
Reserved for Encumbrances	1,632,370	3,492,688	15,158	5,140,216
Reserved for Property Taxes	410,235	0	114,338	524,573
Reserved for Prepaid Items	37,458	3,135	0	40,593
Reserved for Set-Asides	912,380	0	0	912,380
Reserved for Bus Purchases	81,319	0	0	81,319
<u>Unreserved, Undesignated, Reported in:</u>				
General Fund	7,671,605	0	0	7,671,605
Special Revenue Funds	0	0	1,245,332	1,245,332
Debt Service Fund	0	0	1,472,485	1,472,485
Capital Projects Funds	0	(986,413)	(4,133)	(990,546)
Total Fund Balances	10,745,367	2,509,410	2,843,180	16,097,957
Total Liabilities and Fund Balances	\$16,530,399	\$4,016,432	\$4,735,952	\$25,282,783

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Funds Balances \$16,097,957

*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. 65,436,015

Some of the District's receivables will be collected after fiscal year-end, but are
 not available soon enough to pay for the current period's expenditures and
 therefore are deferred in the funds. These receivables consist of:

Property taxes	744,833
Intergovernmental	<u>565,049</u>

Total receivables that are deferred in the funds 1,309,882

Unamortized issuance costs represent deferred charges which do not provide current
 financial resources and are therefore not reported in the funds. 96,902

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

General obligation bonds	(6,840,000)
Premium on bonds	(304,560)
Accrued interest on bonds	(21,764)
Compensated absences	(791,766)
Capital leases	<u>(517,933)</u>

Total liabilities that are not reported in the funds (8,476,023)

Net Assets of Governmental Activities \$74,464,733

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	School Construction	All Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$3,043,656	\$0	\$848,086	\$3,891,742
Intergovernmental	15,630,082	6,226,491	5,054,580	26,911,153
Interest	600,352	278,084	2,185	880,621
Tuition and Fees	376,037	0	787	376,824
Extracurricular Activities	0	0	140,651	140,651
Payments in Lieu of Taxes	507,358	0	0	507,358
Customer Services	151,820	0	229,763	381,583
Gifts and Donations	10,000	0	24,277	34,277
Miscellaneous	226,952	350	26,250	253,552
Total Revenues	20,546,257	6,504,925	6,326,579	33,377,761
<u>Expenditures:</u>				
<i>Instruction:</i>				
Regular	7,097,175	0	1,518,917	8,616,092
Special	1,756,698	0	770,907	2,527,605
Vocational	263,466	0	0	263,466
Other	948,948	0	166,518	1,115,466
<i>Support Services:</i>				
Pupil	1,203,298	0	495,265	1,698,563
Instructional Staff	932,874	0	524,751	1,457,625
Board of Education	275,635	0	47,169	322,804
Administration	2,203,881	0	310,432	2,514,313
Fiscal	319,397	0	0	319,397
Operation and Maintenance of Plant	2,173,292	0	117,382	2,290,674
Pupil Transportation	1,785,155	0	26,406	1,811,561
Central	838,004	0	0	838,004
Operation of Non-Instructional Services	102,615	0	1,013,231	1,115,846
Extracurricular Activities	164,670	0	82,564	247,234
Capital Outlay	890,157	11,329,752	0	12,219,909
<i>Debt Service:</i>				
Principal Retirement	52,824	0	260,000	312,824
Interest and Fiscal Charges	22,829	0	336,328	359,157
Total Expenditures	21,030,918	11,329,752	5,669,870	38,030,540
Excess of Revenues Over (Under) Expenditures	(484,661)	(4,824,827)	656,709	(4,652,779)
<u>Other Financing Sources:</u>				
Proceeds from Sale of Assets	4,187	0	0	4,187
Inception of Capital Lease	558,551	0	0	558,551
Total Other Financing Sources	562,738	0	0	562,738
Net Change in Fund Balances	78,077	(4,824,827)	656,709	(4,090,041)
Fund Balances at Beginning of Year	10,667,290	7,334,237	2,186,471	20,187,998
Fund Balances at End of Year	\$10,745,367	\$2,509,410	\$2,843,180	\$16,097,957

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2008*

Net Change in Fund Balances - Total Governmental Funds (\$4,090,041)

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

Governmental funds report capital outlays 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 by which capital outlay exceeded depreciation in the current period.		14,468,609
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(329,492)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues consist of:		
Property taxes	25,007	
Intergovernmental	<u>(6,231,985)</u>	
Total revenues not reported in the funds		(6,206,978)
Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		312,824
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		916
Bond issuance costs are reported as expenditures in the governmental funds when due, but in the statement of activities these costs are accrued as deferred charges.		(3,876)
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues in the statement of activities:		
Inception of capital leases		(558,551)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Compensated absences	128,194	
Premium on Bonds	12,182	
Trade-In of leases	<u>235,736</u>	
Total expenditures not reported in the funds		<u>376,112</u>
<i>Change in Net Assets of Governmental Activities</i>		<u><u>\$3,969,523</u></u>

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes

in Fund Balance - Budget and Actual (Budget Basis)

General Fund

For the Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues:</u>				
Property Taxes	\$2,966,676	\$2,880,845	\$3,015,410	\$134,565
Income Tax	118	84	84	0
Intergovernmental	14,219,059	16,058,601	15,536,344	(522,257)
Interest	685,462	500,000	625,792	125,792
Tuition and Fees	341,742	322,434	376,038	53,604
Gifts and Donations	0	10,000	10,000	0
Customer Service and Sales	146,337	146,337	151,820	5,483
Miscellaneous	758,266	687,912	734,310	46,398
Total Revenues	19,117,660	20,606,213	20,449,798	(156,415)
<u>Expenditures:</u>				
<i>Current:</i>				
<i>Instruction:</i>				
Regular	3,870,103	7,238,081	7,062,172	175,909
Special	653,805	1,709,719	1,740,332	(30,613)
Vocational	230,458	256,604	270,142	(13,538)
Other	1,018,255	1,036,715	958,207	78,508
<i>Support Services:</i>				
Pupils	1,267,485	1,465,751	1,165,353	300,398
Instructional Staff	940,275	1,104,240	931,384	172,856
Board of Education	317,065	326,259	296,353	29,906
Administration	1,449,656	1,662,564	1,682,292	(19,728)
Fiscal	275,318	275,318	329,648	(54,330)
Operation and Maintenance of Plant	2,751,109	2,927,109	2,776,839	150,270
Pupil Transportation	2,691,008	2,691,007	1,764,625	926,382
Central	958,187	958,187	829,192	128,995
Operation of Non-Instructional Services	94,935	94,935	97,572	(2,637)
Extracurricular Activities	187,626	190,876	166,055	24,821
Capital Outlay	2,362,498	2,362,498	1,825,860	536,638
Total Expenditures	19,067,783	24,299,863	21,896,026	2,403,837
Excess of Revenues Over (Under) Expenditures	49,877	(3,693,650)	(1,446,228)	2,247,422
<u>Other Financing Sources (Uses):</u>				
Proceeds from Sale of Assets	41,851	8,851	4,187	(4,664)
Transfer In	748,878	748,878	749,222	344
Transfer Out	(362,654)	(749,222)	(749,222)	0
Total Other Financing Sources (Uses)	428,075	8,507	4,187	(4,320)
Net Change in Fund Balances	477,952	(3,685,143)	(1,442,041)	2,243,102
Fund Balance at Beginning of Year	10,504,959	10,504,959	10,504,959	0
Prior Year Encumbrances Appropriated	2,064,051	2,064,051	2,064,051	0
Fund Balance at End of Year	\$13,046,962	\$8,883,867	\$11,126,969	\$2,243,102

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities

Fiduciary Fund

June 30, 2008

	<u>Agency</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$44,217</u>
<u>Liabilities:</u>	
Due to Students	<u>\$44,217</u>

See accompanying notes to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Description of the School District

Vinton County Local School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District provides educational services as authorized by State statute and/or federal guidelines. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The Board controls the District's five (5) instructional support facilities staffed by 117 non-certificated, 184 teaching personnel and 14 administrative employees providing education to approximately 2,468 students.

Reporting Entity

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

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

The following entities which perform activities within the District's boundaries for the benefit of its residents are excluded from the accompanying financial statements because the District is not financially accountable for these entities nor are they fiscally dependent on the District.

- Parent Teacher Organization
- Booster Club

The District is associated with five organizations, four of which are defined as jointly governed organizations, and one is a group purchasing pool. These organizations are the South Central Ohio Computer Association, the Gallia-Jackson-Vinton Joint Vocational School District, the Gallia-Vinton Educational Service Center, the Southeastern Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are summarized below. These policies conform to generally accepted accounting principles (GAAP) for local governmental units prescribed in the statements issued by the Governmental Accounting Standards Board and other recognized authoritative sources.

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

A. Basis of Presentation

The District's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities. The District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

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

B. Fund Accounting

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. 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 - This fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

School Construction Fund - This fund is used to account for monies received and expended in connection with the building and equipping of classroom facilities.

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

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's only fiduciary fund is an agency fund which is used to account for student managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined, and "available" means that the resources are collectible within the current fiscal year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the 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, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the 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 the fiscal 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.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenses/Expenditures

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

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

E. Cash and Cash Equivalents

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

During the fiscal year 2008, the District's investments were limited to the State Treasury Asset Reserve of Ohio (STAROhio). Except for non-participating investment contracts, investments are reported at fair value which is based on quoted market prices. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investments the investment could be sold for on June 30, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the District during fiscal year 2008 amounted to \$880,621 which includes \$600,352 credited to the General Fund and \$280,269 credited to other District funds.

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

F. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when consumed or used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors or laws of other governments or imposed by enabling legislation. Restricted assets in the General Fund include amounts required to be reserved for set-asides and school bus purchases. See Note 17 for additional information regarding set-asides. Restricted assets in the School Construction Fund reflect amounts held as retainage.

I. Capital Assets

General capital assets are associated with and generally arise from governmental activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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 one thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 30 years
Buildings and Improvements	25 - 50 years
Furniture, Fixtures and Equipment	6 - 15 years
Vehicles	5 - 10 years

J. Interfund Balances

On 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.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Compensated Absences

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

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payments in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for classified and certified employees and administrators who have at least 20 years of service with the District.

The entire compensated absence liability is reported on the government-wide financial statements

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees will be paid.

L. Accrued Liabilities and Long-Term Liabilities

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgements, compensated absences, special termination of benefits and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment in the current year. Bonds and capital leases are recognized as a liability on the fund financial statements when due.

M. Net Assets

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

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 restricted net assets of \$6,800,405 none are restricted by enabling legislation.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. Fund Balance Reserves

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for set-asides represents money required to be set-aside by statute for textbooks and instructional materials and capital acquisition and are explained in more detail in Note 17.

O. Interfund Transactions

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. For the fiscal year 2008, the District reported no extraordinary or special items.

Q. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

R. Budgetary Process

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 in the budgetary statements reflect the amounts in the certificate when the permanent 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.

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

NOTE 3- NEW GASB PRONOUNCEMENTS

For fiscal year 2008, the District implemented GASB Statement No. 48, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues”, and GASB No. 50, “Pension Disclosures”, an amendment of GASB Statements No. 25 and No. 27. The implementation of GASB Statement No. 48 and 50 had some effect on the disclosure requirements, however, there was no effect on the prior period fund balances of the District.

NOTE 4 - ACCOUNTABILITY

The following funds had deficit fund balances as of June 30, 2008:

<i>Nonmajor Special Revenue Funds:</i>	
Public School Preschool	\$9,212
Ohio Reads	5,726
Alternative School	1,199
Miscellaneous State Grants	2,698
Title VI-B	17,912
Title I	9,993
Preschool Handicap Grant	1,827
Title VI-R	8,852
Miscellaneous Federal Grants	7,600
<i>Nonmajor Capital Project Fund:</i>	
Emergency Building Repair	15,085

The deficits in these funds are the result of the application of generally accepted accounting principles and the requirement to accrue liabilities when incurred. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur. These deficits do not exist on the cash basis.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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 budget basis as provided by law and described above is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Budget Basis) is presented for the General Fund on the budget basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).
4. Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

Net Change in Fund Balance	
GAAP Basis	\$78,077
<i>Adjustments:</i>	
Revenue Accruals	(96,459)
Expenditure Accruals	(2,498,743)
Encumbrances	1,633,637
Other Sources (Uses)	(558,553)
Budget Basis	(\$1,442,041)

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

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

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

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

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

Interim monies may be deposited or invested in the following securities:

- (1) United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, Notes, Debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily, and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasurer's investment pool (STAROhio);
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time; and
- (8) Under Limited circumstances, debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS - (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposit and Investment Risk Disclosures."

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District's policy does not address this risk beyond the requirements of the Ohio Revised Code.

At June 30, 2008, the carrying amount of all District deposits was \$6,508,701. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of June 30, 2008, \$200,000 of the District's bank balance of \$7,425,508 was covered by Federal Deposit Insurance. The remaining \$7,225,508 was collateralized with securities held by the District or its agent in the District's name.

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

Investment Type	Fair Value	Maturity 6 Months or Less
STAROhio	\$13,413,382	\$13,413,382
Totals	\$13,413,382	\$13,413,382

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the District manages its exposure to declines in fair values by keeping the portfolio sufficiently liquid to enable the school to meet all operating requirements.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District limits their investments to STAR Ohio as described in Ohio Revised Code Section 135.143A(2). Investments in STAR Ohio were rated "AAAm" by Standard & Poor's.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's investment policy allows investments in eligible securities as described in the Ohio Revised Code. The District has invested 100 percent of its investments in STAROhio.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for custodial credit risk.

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 6 - CASH, DEPOSITS AND INVESTMENTS -(Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and cash equivalents and investments on the financial statements and the classification of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$19,922,083	\$0
<i>Investments:</i>		
STAROhio	(13,413,382)	13,413,382
GASB Statement No. 3	\$6,508,701	\$13,413,382

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31, of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31. Tangible personal property assessments are 25 percent of true value.

Real property taxes are paid by taxpayers annually or semi-annually. If paid annually, payment is due December 31, unless extended; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20, unless extended. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

Ohio House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed at the level of calendar year 2004 assessed values for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Vinton, Gallia, Jackson and Hocking Counties. The County Auditors periodically advance to the District their portion of the taxes collected. Second-half real property tax payments collected by each county by June 30, 2008 are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 7 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2008. Although total property tax collections for the fiscal year are measurable, only the amount available as an advance at June 30 is intended 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 is reported as fund balance - reserved for property taxes.

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

	2007 First- Half Collections		2008 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$138,189,070	79.36%	\$139,527,420	79.29%
Public Utility Personal	26,781,880	15.38%	29,193,650	16.59%
Tangible Personal Property	9,147,974	5.26%	7,245,100	4.12%
Total Assessed Value	<u>\$174,118,924</u>	<u>100.00%</u>	<u>\$175,966,170</u>	<u>100.00%</u>
Tax Rate per \$1,000 of Assessed Valuation	\$22.52		\$22.52	

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 8 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, interest and intergovernmental grants. 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. A summary of the principal items of intergovernmental receivables follows:

<i>Major Fund:</i>	
School Construction	\$42,581
<i>Nonmajor Special Revenue Funds:</i>	
Public Preschool	14,791
Ohio Reads	15,667
Alternative School	646
Miscellaneous State Grants	3,750
Title VI-B	309,566
Title I	267,971
Title VI-R	26,925
Preschool Handicapped Grant	2,726
Miscellaneous Federal Grants	22,181
	<hr/>
Total Nonmajor Special Revenue Funds	664,223
	<hr/>
Total Intergovernmental Receivables	<u>\$706,804</u>

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 9 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2008, the District contracted with Ohio Casualty Insurance for property and fleet insurance, liability insurance, inland marine coverage, and public official bonds. Coverages provided are as follows:

Building and Contents - replacement cost (\$500 deductible)	\$63,291,199
Inland Marine Coverage (\$500 deductible)	537,206
Musical Instruments (\$500 deductible)	105,462
Automobile Liability (\$500 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
Uninsured Motorists (\$1,000 deductible):	
Per Person	1,000,000
Per Accident	1,000,000
General Liability:	
Aggregate Limit	2,000,000
Public Official Bonds:	
Treasurer	100,000
Superintendent/Board President (each)	50,000

Settled claims have not exceeded this commercial coverage in any of the past three years. The District has made significant changes in coverage during the past fiscal year. The District decreased its coverage on the building and its contents and general liability coverage as deemed appropriate upon review of insurance needs.

For fiscal year 2008, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (Note 19). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - CAPITAL ASSETS

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

Asset Category	Balance at July 1, 2007	Transfers/ Additions	Transfers/ Deletions	Balance at June 30, 2008
<i>Nondepreciable Capital Assets:</i>				
Land	\$1,177,320	\$919,044	\$0	\$2,096,364
Construction in Progress	32,537,966	7,519,862	(32,370,927)	7,686,901
Total Nondepreciable Capital Assets	33,715,286	8,438,906	(32,370,927)	9,783,265
<i>Depreciable Capital Assets:</i>				
Land Improvements	2,836,562	6,127,136	0	8,963,698
Buildings and Improvements	19,180,898	32,316,460	0	51,497,358
Furniture, Fixtures and Equipment	1,931,699	2,814,599	(397,015)	4,349,283
Vehicles	2,529,340	0	0	2,529,340
Total Depreciable Capital Assets	26,478,499	41,258,195	(397,015)	67,339,679
Total Capital Assets	60,193,785	49,697,101	(32,767,942)	77,122,944
<i>Accumulated Depreciation:</i>				
Land Improvements	(892,723)	(401,004)	0	(1,293,727)
Buildings and Improvements	(4,632,448)	(1,549,722)	0	(6,182,170)
Furniture, Fixtures and Equipment	(1,199,980)	(746,941)	67,523	(1,879,398)
Vehicles	(2,171,736)	(159,898)	0	(2,331,634)
Total Accumulated Depreciation	(8,896,887)	(2,857,565)	67,523	(11,686,929)
Total Net Capital Assets	\$51,296,898	\$46,839,536	(\$32,700,419)	\$65,436,015

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 10 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follow:

<i>Instruction:</i>	
Regular	\$2,279,162
Special	40,415
<i>Support Services:</i>	
Pupils	25,992
Instructional Staff	116,736
Board of Education	25,049
Administration	32,193
Fiscal	2,779
Operation and Maintenance	43,786
Pupil Transportation	159,898
Central	6,650
<i>Operation of Non-Instructional Services:</i>	
Food Services	34,168
Extracurricular Activities	90,737
Total Depreciation Expense	\$2,857,565

At June 30, 2008, net capital assets include \$387,028 of equipment under capitalized leases.

NOTE 11 - DEFINED BENEFIT PENSION PLANS

School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute, Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.82 percent of the annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$348,321, \$433,619, and \$409,504, respectively; 47.31 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. \$183,540 representing the unpaid contribution for fiscal year 2008, is recorded as a liability within the financial statements.

State Teachers Retirement System

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

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

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for fiscal year 2008. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's contributions for pension obligations to STRS for the fiscal years ended June 30, 2008, 2007, and 2006 were \$1,430,402, \$1,438,352, and \$1,273,069, respectively; 85.42 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. \$208,569 representing the unpaid contribution for fiscal year 2008, is recorded as a liability within the financial statements.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 11 - DEFINED BENEFIT PENSION PLANS - (Continued)

Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2008, none of the five members of the Board of Education have elected Social Security. If elected, the Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory 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 costs in the form of a monthly premium.

STRS Ohio issues a stand-alone financial report that includes financial information for the health care plan. Interested parties can view the most recent *Comprehensive Annual Financial Report* at www.strsoh.org or obtain a copy by calling (888)227-7877.

Funding Policy - Under Ohio law, funding for postemployment health care may be deducted from employer contributions. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The 14 percent contribution is the maximum rate allowed under Ohio law.

All STRS benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Districts' contributions allocated to fund postemployment health care benefits for the years ended June 30, 2008, 2007, and 2006 were \$110,031, \$110,642, and \$97,298 respectively; 100 percent has been contributed for years 2008, 2007, and 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007 (the latest information year available). For the year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000 and STRS had 122,934 eligible benefit recipients.

Health Care Plan - Ohio law authorizes SERS Ohio 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 Ohio Revised Code (ORC) postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

The Health Care Fund was established under, and is administrated 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 percent contribution to the Health Care Fund. At June 30, 2008, the health care allocation was 4.18 percent. The actuarially required contributions (ARC), as of December 31, 2007 annual valuation was 11.50 percent 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. Vinton County Local School District contributions for the years ended June 30, 2008, 2007, 2006 were \$196,728, \$191,837, and \$183,038 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 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent 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*.

NOTE 13 - EMPLOYEE BENEFITS

Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators do not earn vacation time, with the exception of the Superintendent, Treasurer, Assistant Superintendent, Transportation Coordinator, and Maintenance Supervisor. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made for 25 percent of the employee's accumulated sick leave up to a maximum of 51 days for certified and administrative employees and 65 days for non-certificated employees.

Additionally, certified employees with 30 years but less than 31 years of service are eligible for a \$40,000 severance bonus.

Health, Prescription, Dental and Life Insurance

The District provides health and prescription benefits to its employees through a fully funded policy with United Health Care. Dental and life insurance benefits are provided through a policy with Coresource.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in the long-term obligations of the District during the 2008 fiscal year were as follows:

	Issue Date	Interest Rate	Principal Outstanding at July 1, 2007	Additions	Deletions	Principal Outstanding at June 30, 2008	Amount Due in One Year
<u>Governmental Activities:</u>							
General Obligation Bonds	6/15/98	5.01%	\$1,500,000	\$0	\$185,000	\$1,315,000	\$190,000
Refunding Bonds: Serial Bonds	7/6/05	3.00 - 5.00%	3,485,000	0	75,000	3,410,000	80,000
Term Bonds			1,085,000	0	0	1,085,000	0
Term Bonds			1,030,000	0	0	1,030,000	0
Premium on Bonds	N/A	N/A	316,742	0	12,182	304,560	0
Capital Leases Payable	N/A	N/A	247,942	558,551	288,560	517,933	156,531
Compensated Absences	N/A	N/A	919,960	302,107	430,301	791,766	86,005
Total Governmental Activities Long-Term Liabilities			<u>\$8,584,644</u>	<u>\$860,658</u>	<u>\$991,043</u>	<u>\$8,454,259</u>	<u>\$512,536</u>

General obligation bonds were issued in the amount of \$5,010,000 in July 1998, as a result of the District being approved for \$11,041,812 in school facilities funding through the State Department of Education for the construction of a high school building. The District issued the general obligation bonds to provide a partial cash match to the school facilities funding. As a requirement of the school facilities funding program, the District passed a 3.82 mill levy in November 1997. Of the 3.82 mill levy, 3.32 mills is used for the retirement of the bonds that were issued and are in effect for twenty-three years. The remaining .5 mill is used for repairs and maintenance of the facility. As a part of this funding process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires. If the District's adjusted valuation per pupil increases above the state-wide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution. The general obligation bonds are retired through the Bond Retirement Fund using tax revenues. The final payment on these bonds will be made on December 1, 2020.

2005 Refunding Bonds - In July 2005, the District issued \$5,715,000 of voted general obligation bonds for the advance refunding of \$2,015,000 in the 1998 series bonds and the repayment of a \$3,700,000 bond anticipation note. The \$328,924 premium on the issuance of the refunding bonds is netted against this new debt and will be amortized over the life of this new debt, which has a remaining life of 26 years. The refunding was undertaken to reduce total future debt service payments. The refunding resulted in an economic gain of \$335,768 and a reduction of \$110,498 in future debt service payments. \$3,600,000 was issued as serial bonds with interest rates ranging from 3.0% to 5.0%. \$1,085,000 was issued as term bonds with an interest rate of 5.00%. \$1,030,000 was issued as term bonds with an interest rate of 5.00%. The bonds were issued for a twenty-seven year period, with final maturity December 1, 2032. The refunding bonds will be retired from the Bond Retirement Debt Service Fund.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

The Term Bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the fiscal years and respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2022	\$135,000
2023	140,000
2024	145,000
2025	155,000
2026	160,000
2027	170,000

The remaining principal amount of such Bonds (\$180,000) will be paid at stated maturity on December 1, 2027.

The Term Bonds maturing on December 1, 2032 are subject to mandatory sinking fund redemption at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Fiscal Year	Principal Amount to be Redeemed
2029	\$185,000
2030	195,000
2031	205,000
2032	215,000

The remaining principal amount of such Bonds (\$230,000) will be paid at stated maturity on December 1, 2032.

The Bonds maturing on or after December 1, 2015 are subject to redemption at the option of the District, either in whole or in part, in such order as the District shall determine, on any date on or after June 1, 2015, at a redemption price equal to 100% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

The serial bonds are not subject to a mandatory sinking fund or optional redemption prior to stated maturity.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire the Refunding Bonds outstanding at June 30, 2008, are as follows:

Fiscal Year Ending June 30,	Serial Bonds	Term Bonds	Term Bonds	Interest	Total
2009	\$80,000	\$0	\$0	\$260,662	\$340,662
2010	80,000	0	0	258,263	338,263
2011	85,000	0	0	255,662	340,662
2012	85,000	0	0	252,900	337,900
2013	90,000	0	0	249,385	339,385
2014-2018	1,630,000	0	0	1,109,375	2,739,375
2019-2023	1,360,000	275,000	0	642,736	2,277,736
2024-2028	0	810,000	0	383,250	1,193,250
2029-2033	0	0	1,030,000	160,000	1,190,000
Totals	<u>\$3,410,000</u>	<u>\$1,085,000</u>	<u>\$1,030,000</u>	<u>\$3,572,233</u>	<u>\$9,097,233</u>

Capital leases are paid from the General Fund. Compensated absences are paid from the fund from which the employee is paid.

The District's voted legal debt margin was \$8,996,955 with an unvoted debt margin of \$175,966 at June 30, 2008.

The annual requirements to retire the general obligation bonds outstanding at June 30, 2008 are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2009	\$190,000	\$70,595	\$260,595
2010	200,000	60,430	260,430
2011	215,000	49,730	264,730
2012	225,000	38,228	263,228
2013	235,000	26,190	261,190
2014	250,000	13,500	263,500
Total	<u>\$1,315,000</u>	<u>\$258,673</u>	<u>\$1,573,673</u>

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 15 - CAPITAL LEASES - LESSEE DISCLOSURE

In the prior and current year, the District entered into capitalized leases for copier equipment. Each lease meets the criteria of a capital lease as defined by *Statement of Financial Accounting Standards No. 13, "Accounting for Leases,"* which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. However, these expenditures are reported as current expenditures on the budgetary statement.

Capital assets acquired by lease were initially capitalized in the statement of net assets for governmental activities in the amount of \$574,473 which is equal to the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded on the statement of net assets for governmental activities. Principal payments in fiscal year 2008 totaled \$52,824 and were paid from the General Fund. The District also had \$235,736 of capital lease trade-ins during fiscal year 2008.

Principal and interest requirements to retire the capital leases at June 30, 2008 are as follows:

Year Ending June 30	Capital Leases
2009	\$156,529
2010	155,333
2011	149,405
2012	116,184
2013	38,614
Total Debt Payments	616,065
Less: Interest	98,132
Total Principal	\$517,933

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 16 - INTERFUND ACTIVITY

As of June 30, 2008, receivables and payables that resulted from various interfund transactions were as follows:

Fund	Interfund Receivables	Interfund Payables
<i>General Fund</i>	\$46,406	\$0
<i>Nonmajor Special Revenue Funds:</i>		
Miscellaneous State Grants	0	665
Title I	0	28,338
Title VI-R	0	2,318
Total Nonmajor Special Revenue Funds	0	31,321
<i>Nonmajor Capital Project Fund:</i>		
Emergency Building Repair Grant	0	15,085
Total	<u>\$46,406</u>	<u>\$46,406</u>

All the interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year end or offset by similarly restricted resources received during the year must be held in cash at year end and carried forward to be used for the same purposes in future years. Effective April 10, 2001, Senate Bill 345 eliminated the statutory requirement for a budget reserve; however, any remaining amount of the budget reserve funded with workers' compensation refunds or rebates may only be used to offset a budget deficit or certain other expenditures as directed by the Board of Education. For the District, there is no budget reserve amount remaining.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 17 - STATUTORY RESERVES - (Continued)

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

	Textbook	Capital Acquisition	Total
Set-Aside Reserve Balance as of June 30, 2007	\$813,003	\$349,650	\$1,162,653
Current Year Set-Aside Requirement	374,711	374,711	749,422
Qualifying Disbursements	(275,334)	(973,131)	(1,248,465)
Totals	912,380	(248,770)	663,610
Set-Aside Reserve Balance as of June 30, 2008	<u>\$912,380</u>	<u>\$0</u>	
Total Restricted Assets			<u>\$912,380</u>

Actual cash balances in excess of set-aside requirements for both textbooks and capital improvements may be used to offset set-aside requirements of future years.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

South Central Ohio Computer Association

The District is a participant in the South Central Ohio Computer Association (SCOCA) which is a computer consortium. SCOCA is an association of public school districts within the boundaries of Highland, Adams, Pike, Scioto, Brown, Ross, Vinton, and Lawrence Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. The governing board of SCOCA consists of two representatives from each county elected by majority vote of all charter member school districts within each county, two treasurers elected by majority vote of all charter member school districts, and one representative from the fiscal agent. The District paid SCOCA \$132,689 for services provided during fiscal year 2008. Financial information for SCOCA can be obtained from their fiscal agent, Pike County Joint Vocational School District, P.O. Box 577, 175 Beaver Creek, Piketon, Ohio 45661.

Gallia - Vinton Educational Service Center

The Gallia - Vinton Educational Service Center is a jointly governed organization providing educational services to its two participating school districts. The Educational Service Center is governed by a board of education comprised of eight members appointed by the participating schools. The board controls the financial activity of the Educational Service Center and reports to the Ohio Department of Education and the Auditor of State. The continued existence of the Educational Service Center is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2008, the District made no contributions to the Educational Service Center. To obtain financial information, write to the Gallia - Vinton Educational Service Center, P.O. Box 178, Rio Grande, Ohio 45674.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS - (Continued)

Gallia-Jackson-Vinton Joint Vocational School District

The Gallia-Jackson-Vinton Joint Vocational School is a jointly governed organization providing vocational services to its six participating school districts. The Joint Vocational School is governed by a board of education comprised of nine members appointed by the participating schools. The board controls the financial activity of the Joint Vocational School and reports to the Ohio Department of Education and the Auditor of State of Ohio. The continued existence of the Joint Vocational School is not dependent on the District's continued participation and no equity interest exists. During fiscal year 2008, the District made no contributions to the Joint Vocational School. To obtain financial information, write to the Gallia-Jackson-Vinton Joint Vocational School, P.O. Box 157, Rio Grande, Ohio 45674.

Southeastern Ohio Special Education Regional Resource Center

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

The SERRC is governed by a board composed of superintendents of participating schools, parents of children with disabilities, representatives of chartered nonpublic schools, representatives of county boards of MR/DD, Ohio University and the Southeast Regional Professional Development Center whose terms rotate every year. The degree of control exercised by any participating school district is limited to its representation on the Board. The Superintendent of the District is on the SERRC Board and the District also has a local representative that serves as an alternate for the SERRC Board. Financial information can be obtained by contacting Bryan Swann, Treasurer, at the Athens-Meigs Educational Service Center, 507 Richland Avenue, Suite 108, Athens, Ohio 45701.

NOTE 19 - GROUP PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay a enrollment fee to the Plan to cover the costs of administering the program.

NOTE 20 - CONTINGENCIES

Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2008.

VINTON COUNTY LOCAL SCHOOL DISTRICT
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 20 - CONTINGENCIES - (Continued)

Litigation

The District is party to legal proceedings. It is the District's managements opinion that the ultimate outcome of the proceedings will not materially adversely effect the District's finances.

NOTE 21 - CONTRACTUAL COMMITMENTS

At June 30, 2008, the District had significant contractual commitments for completion of construction of the new schools as follows:

Contractor	Purchase Commitments	Amounts Paid as of June 30, 2008	Amounts Remaining on Contracts
S.S. Kemp & Co.	239,874	236,002	3,872
A.J Stockmeister	1,802,193	1,730,117	72,076
Gutridge Plumbing	202,814	197,726	5,088
Stonecreek Interior Systems	783,664	760,056	23,608
Wesam Construction	400,531	304,211	96,320
Kinsale Corp	9,278,048	9,032,064	245,984
Pezzo Construction	2,123,010	2,066,673	56,337
Great Lakes Hotel Supply Co.	350,734	329,085	21,649
Brenmar Construction	901,400	874,152	27,248
Brewer & Company of WV	279,400	268,259	11,141
H & A Mechanical	1,553,494	1,511,492	42,002
Howard's Sheet Metal	406,151	399,814	6,337
Microman, Inc.	1,107,557	1,086,738	20,819
Advance Technical Group	599,013	538,263	60,750
Lang Masonry Contractors	101,620	29,036	72,584
Claypool Electric	271,046	126,084	144,962
Tom Sexton and Associates	635,009	446,947	188,062
Continental Office Environment	544,226	408,182	136,044
JB Hayes & Excavating	418,670	407,555	11,115
Total	<u>\$21,998,454</u>	<u>\$20,752,456</u>	<u>\$1,245,998</u>

NOTE 22 - NON-COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.36, the District had several funds for which appropriations exceeded available resources.

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

Federal Grantor/ Pass-Through Grantor/ Program Titles	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Education						
<i>Passed through the Ohio Department of Education</i>						
Special Education Cluster:						
Special Education - Grants to States	6BSF	84.027	\$ 551,879	\$ -	\$ 570,129	\$ -
Special Education - Preschool Grants	PGS1	84.173	27,169	-	26,106	-
Total Special Education Cluster			579,048	-	596,235	-
Title I Grants to Local Educational Agencies	C1S1	84.010	772,333	-	755,612	-
Innovative Education Programs Strategies	C2S1	84.298	6,537	-	6,679	-
Safe and Drug-Free Schools and Communities - State	DRS1	84.186	18,731	-	15,038	-
21st Century Community Learning Centers	T1S1	84.287	200,000	-	200,000	-
Educational Technology State Grants	TJS1	84.318	8,123	-	8,134	-
Improving Teacher Quality - State Grants	TRS1	84.367	186,372	-	197,609	-
Reading First State Grants	HCS1	84.357	140,448	-	181,280	-
Rural Education	HR01	84.358	85,295	-	70,632	-
Total U.S. Department of Education			1,996,887	-	2,031,219	-
U.S. Department of Health and Human Services						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medical Assistance Program (CAFS)	N/A	93.778	9,611	-	-	-
Total U.S. Department of Health and Human			9,611	-	-	-
U.S. Department of Agriculture						
<i>Passed through the Ohio Department of Education</i>						
<i>Child Nutrition Cluster:</i>						
School Breakfast Program	05PU	10.553	258,319	-	258,319	-
National School Lunch Program	LLP4	10.555	521,029	-	521,029	-
<i>Total Child Nutrition Cluster</i>			<i>779,348</i>	<i>-</i>	<i>779,348</i>	<i>-</i>
Child and Adult Care Food Program	N/A	10.582	28,810	-	28,810	-
Food Distribution	N/A	10.550	-	50,055	-	50,055
Total U.S. Department of Agriculture			808,158	50,055	808,158	50,055
Total Federal Financial Assistance			\$ 2,814,656	\$ 50,055	\$ 2,839,377	\$ 50,055

N/A - Pass through entity number was not provided

See accompanying notes to the schedule of expenditures of federal awards

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the District’s federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – FOOD DISTRIBUTION

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 market value of the commodities received.

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

NOTE C – MATCHING REQUIREMENTS

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

NOTE D – TRANSFERS

The District must spend federal assistance within 15 months of receipts (funds must be obligated by June 30 and spent by September 30th). However, with Ohio Department of Education’s approval, the District can transfer unspent federal assistance to succeeding year, thus allowing the District a total of 27 months to spend the assistance.

During fiscal year 2008, the Ohio Department of Education authorized the following transfers:

Program Title	Pass-through Entity Number (Grant Year)	CFDA Number	Transfers Out	Transfers In
Title I Grants to Local Educational Agencies	C1S1 2008	84.010	\$ 91,785	
Title I Grants to Local Educational Agencies	C1S1 2009	84.010		91,785
Special Education - Grants to States	6BSF 2008	84.027	284,630	
Special Education - Grants to States	6BSF 2009	84.027		284,630
Safe and Drug-Free Schools and Communities - States	DRS1-2008	84.186	16	
Safe and Drug-Free Schools and Communities - States	DRS1-2009	84.186		16
Totals			\$ 376,431	\$ 376,431

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Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Education
Vinton County Local School District
307 West High Street
McArthur, Ohio 45651

We have audited the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the District of Vinton County Local School District, Ohio (the "District") as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated December 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the following deficiency, described in the accompanying schedule of findings and questioned costs as item No. 2008-001, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Internal Control over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We consider the following deficiency, described in the accompanying schedule of findings and questioned costs as item No. 2008-001, to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying Schedule of Findings and Questioned Costs as item No. 2008-002.

We noted certain other matters that we reported to the District's management in a separate letter dated December 31, 2008.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 31, 2008

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

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Report on Compliance with Requirements Applicable to each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Education
Vinton County Local School District
307 West High Street
McArthur, Ohio 45651

Compliance

We have audited the compliance of Vinton Local School District, 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 are applicable to its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal controls over compliance, in accordance with OMB Circular A-133. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Members of Board of Education
Vinton Local School District

Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control
Over Compliance in Accordance with OMB Circular A-133

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material compliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

Caudill & Associates, CPA's

Caudill & Associates, CPA's

December 31, 2008

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505
FOR THE YEAR ENDED JUNE 30, 2008**

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

VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO
AP: 7/1/07 – 6/30/08

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2008

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

FINDING NUMBER 2008-001

Significant Deficiency/Material Weakness – Financial Statements Misclassifications

Errors were noted in the District's GAAP financial statements. As a result four adjustments were booked to correct the District's financial statements. Errors noted were related to the following:

- 1) Miscalculation of Taxes Receivable and Deferred Revenue
- 2) Misclassification of Revenues in Lieu of Taxes to Miscellaneous Revenues

The District hires an outside firm to prepare its financial statement of a generally accepted accounting principles basis. However, the District should implement sufficient controls over financial reporting to ensure that financial statements presented for audit are free of material misstatements. Failure to implement the internal control over financial reporting may result in the presentation and misleading and materially misstated financial statements.

We recommend that the District and the outside firm preparing the GAAP financial statements implement internal controls over financial reporting to ensure that financial statements presented for audit are free of material misstatements.

District's Response:

The miscalculation of taxes receivable and deferred revenue were due to a formula error in the excel spreadsheet. The spreadsheet has been corrected so that the miscalculation will not occur in the future.

The district will ensure that the revenues in lieu of taxes are properly posted next year.

Overall, the District will continue to develop monitoring controls and review the GAAP working papers to ensure that the financial statements are accurate and complete

VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO
AP: 7/1/07 – 6/30/08

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §.505
FOR THE YEAR ENDED JUNE 30, 2008

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

FINDING NUMBER 2008-002

Material Non-Compliance – Appropriations in Excess of Available Resources

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the District to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the District to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In 2008, final appropriations exceeded total available resources for appropriation, in the Ohio School Facilities Commission (OSFC) Construction Fund (010) by \$4,219,614.

We recommend that the District implement procedures to monitor actual receipts during the year and amend the District's estimated resources and appropriations accordingly in order to avoid having appropriations in excess of available resources.

District's Response:

The district will continue to monitor actual receipts on a monthly basis and obtain amendments to the certificate of estimated resources and appropriations when necessary.

**VINTON COUNTY LOCAL SCHOOL DISTRICT
VINTON COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
FOR THE YEAR ENDED 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	Significant Deficiency – Financial Statement Misstatements	No	Reissued as Finding # 2008-001



Mary Taylor, CPA
Auditor of State

VINTON COUNTY LOCAL SCHOOL DISTRICT

VINTON 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
FEBRUARY 19, 2009