



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**REGULAR AUDIT**

**FOR THE YEAR ENDED JUNE 30, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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## REPORT OF INDEPENDENT ACCOUNTANTS

Woodmore Local School District  
Sandusky County  
708 West Main Street  
Woodville, Ohio 43469-1099

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Woodmore Local School District (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose 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 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 opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Woodmore Local School District, Sandusky County, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type 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 February 14, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Jim Petro**  
Auditor of State

February 14, 2002

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**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>ASSETS AND OTHER DEBITS</b>			
<b>Assets:</b>			
Equity in pooled cash, cash equivalents, and investments	\$600,247	\$251,287	\$254,630
Receivables:			
Property taxes	3,683,745		527,031
Accounts	2,738		
Interfund	69,705		1,495
Due from other governments	71,220	53,129	
Prepayments	36,966	162	
Inventory Held for Resale			
Materials and supplies inventory	16,707		
Fixed Assets (net, where applicable, of accumulated depreciation)			
<b>Other debits:</b>			
Amount available in Debt Service Fund for Retirement of General Obligation Debt			
Amount to be Provided from General Governmental Resources			
<b>Total assets and other debits</b>	<b>\$4,481,328</b>	<b>\$304,578</b>	<b>\$783,156</b>

Governmental Fund Types	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Obligations	
Capital Projects	Enterprise	Trust and Agency			
\$387,916	\$22,243	\$147,923			\$1,664,246
125,960					4,336,736
53,611					56,349
					71,200
	7,968				132,317
	715				37,843
	7,315				7,315
	1,538				18,245
	27,279		\$12,143,025		12,170,304
				\$321,077	321,077
				3,259,385	3,259,385
<b>\$567,487</b>	<b>\$67,058</b>	<b>\$147,923</b>	<b>\$12,143,025</b>	<b>\$3,580,462</b>	<b>\$22,075,017</b>

(Continued)

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2001  
(Continued)**

	Governmental Fund Types		
	General	Special Revenue	Debt Service
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>			
<b>Liabilities:</b>			
Accounts payable	\$96,636	\$46,036	
Contract Payable			
Accrued wages and benefits	632,291	10,794	
Compensated absences payable	15,810		
Retainage Payable			
Interfund payable	1,495	21,816	
Intergovernmental Payable	149,518	14,142	
Deferred revenue	3,320,106	44,154	\$462,079
Due to students			
Energy Conservation Loan Payable			
General Obligation Bonds Payable			
Total liabilities	4,215,856	136,942	462,079
<b>Equity and other credits:</b>			
Investment in general fixed assets			
Retained earnings: unreserved			
Fund balances:			
Reserved for Encumbrances	8,748	31,655	
Reserved for Inventory	16,707		
Reserved for Property Taxes	363,639		64,952
Unreserved-Undesignated	(123,622)	135,981	256,125
Total equity and other credits	265,472	167,636	321,077
<b>Total liabilities, equity and other credits</b>	<b>\$4,481,328</b>	<b>\$304,578</b>	<b>\$783,156</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types	Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
			General Fixed Assets	General Long-Term Obligations	
Capital Projects	Enterprise	Trust and Agency			
\$125,731	\$19,595	\$1,180			\$289,178
33,807					33,807
	5,216				648,301
	8,777			\$621,312	645,899
1,617					1,617
	47,889				71,200
	6,909			59,324	229,893
110,951	5,889				3,943,179
		51,552			51,552
				185,000	185,000
				2,714,826	2,714,826
<u>272,106</u>	<u>94,275</u>	<u>52,732</u>		<u>3,580,462</u>	<u>8,814,452</u>
				\$12,143,025	12,143,025
	(27,217)				(27,217)
6,416					46,819
					16,707
15,009					443,600
<u>273,956</u>		<u>95,191</u>			<u>637,631</u>
<u>295,381</u>	<u>(27,217)</u>	<u>95,191</u>	<u>12,143,025</u>		<u>13,260,565</u>
<u><b>\$567,487</b></u>	<u><b>\$67,058</b></u>	<u><b>\$147,923</b></u>	<u><b>\$12,143,025</b></u>	<u><b>\$3,580,462</b></u>	<u><b>\$22,075,017</b></u>

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
<b>Revenues:</b>		
From local sources:		
Taxes	\$3,595,965	
Tuition	31,127	
Earnings on investments	111,790	
Other local revenues	12,009	\$180,359
Other revenues		
Intergovernmental	3,261,764	385,790
	<hr/>	<hr/>
Total revenue	7,012,655	566,149
	<hr/>	<hr/>
<b>Expenditures:</b>		
Current:		
Instruction:		
Regular	3,629,915	35,460
Special	715,828	78,584
Vocational	91,069	
Adult/Continuing		
Other	101,343	
Support services:		
Pupil	451,522	70,166
Instructional staff	121,114	27,569
Board of Education	22,316	
Administration	679,633	50,358
Fiscal	245,808	500
Operations and maintenance	627,845	2,195
Pupil transportation	441,357	5,586
Non-Instructional Services		52,366
Extracurricular activities	194,116	183,080
Capital Outlay	1,327	
Debt service:		
Principal retirement	55,000	
Interest and fiscal charges	11,900	
	<hr/>	<hr/>
Total expenditures	7,390,093	505,864
	<hr/>	<hr/>
Excess of revenues over (under) expenditures	(377,438)	60,285
	<hr/>	<hr/>
<b>Other financing sources:</b>		
Operating Transfers In	131,615	67,649
Refund of Prior Year Expenditures	3,850	
Other Financing Sources	345	(1,794)
Operating Transfers Out	(149,990)	(84,609)
	<hr/>	<hr/>
Total other financing sources	(14,180)	(18,754)
	<hr/>	<hr/>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(391,618)	41,531
	<hr/>	<hr/>
Fund balance, July 1	657,090	126,105
	<hr/>	<hr/>
<b>Fund balance, June 30</b>	<b>\$265,472</b>	<b>\$167,636</b>
	<hr/> <hr/>	<hr/> <hr/>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$516,823	\$123,262		\$4,236,050
			31,127
		\$4,741	116,531
	196,108	36,150	424,626
	53,613		53,613
47,354	98,263		3,793,171
564,177	471,246	40,891	8,655,118
	74,345	3,561	3,743,281
			794,412
			91,069
		9,450	9,450
			101,343
			521,688
			148,683
			22,316
			729,991
10,437	2,515		259,260
	438,354		1,068,394
	566		446,943
			52,932
			377,196
	7,709		9,036
390,000			445,000
147,270			159,170
547,707	523,489	13,011	8,980,164
16,470	(52,243)	27,880	(325,046)
	35,335		234,599
			3,850
			(1,449)
			(234,599)
	35,335		2,401
16,470	(16,908)	27,880	(322,645)
304,607	312,289	67,311	1,467,402
<b>\$321,077</b>	<b>\$295,381</b>	<b>\$95,191</b>	<b>\$1,144,757</b>

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30,2001**

	General Fund		Variance: Favorable (Unfavorable)
	Revised Budget	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$3,635,497	\$3,653,952	\$18,455
Earnings on investments	110,000	117,975	7,975
Other local revenues	39,640	46,041	6,401
Intergovernmental	3,238,545	3,190,544	(48,001)
Total revenues	<u>7,023,682</u>	<u>7,008,512</u>	<u>(15,170)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	3,634,704	3,665,780	(31,076)
Special	701,922	716,789	(14,867)
Vocational	96,535	94,889	1,646
Other	100,630	102,676	(2,046)
Pupil	448,192	439,373	8,819
Instructional staff	148,259	135,104	13,155
Board of Education	24,295	25,592	(1,297)
Administration	707,792	668,633	39,159
Fiscal	263,759	246,518	17,241
Operations and maintenance	678,191	635,243	42,948
Pupil transportation	417,906	411,702	6,204
Non-Instructional Services			
Extracurricular activities	186,999	181,778	5,221
Capital Outlay	3,870	1,327	2,543
Principal retirement	52,954	55,000	(2,046)
Interest and fiscal charges	11,900	11,900	
Total expenditures	<u>7,477,908</u>	<u>7,392,304</u>	<u>85,604</u>
Excess of revenues over (under) expenditures	<u>(454,226)</u>	<u>(383,792)</u>	<u>70,434</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures		4,000	4,000
Operating transfers in		131,615	131,615
Operating transfers out	(150,870)	(149,990)	880
Advances in	53,740	53,740	
Advances out	(55,745)	(55,745)	
Other Financing Sources	430	345	(85)
Total other financing sources (uses)	<u>(152,445)</u>	<u>(16,035)</u>	<u>136,410</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>(606,671)</u>	<u>(399,827)</u>	<u>206,844</u>
Fund balance, July 1	653,310	653,310	
Prior year encumbrances appropriated	241,630	241,630	
<b>Fund balance, June 30</b>	<b><u>\$288,269</u></b>	<b><u>\$495,113</u></b>	<b><u>\$206,844</u></b>

Special Revenue			Debt Service		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$521,353	\$515,299	(\$6,054)
\$199,978	\$180,358	(\$19,620)			
447,461	376,815	(70,646)	46,365	47,354	989
647,439	557,173	(90,266)	567,718	562,653	(5,065)
55,310	35,564	19,746			
134,562	79,185	55,377			
97,069	72,032	25,037			
41,792	23,180	18,612			
75,025	50,203	24,822			
1,125	500	625	10,800	10,438	362
6,658	2,135	4,523			
10,164	5,784	4,380			
75,851	68,412	7,439			
245,920	201,719	44,201			
			390,000	390,000	
			147,270	147,270	
743,476	538,714	204,762	548,070	547,708	362
(96,037)	18,459	114,496	19,648	14,945	(4,703)
55,303	67,649	12,346			
(86,816)	(84,609)	2,207			
	21,816	21,816			
(29,071)	(29,071)				
14,237	(1,794)	(16,031)			
(46,347)	(26,009)	20,338			
(142,384)	(7,550)	134,834	19,648	14,945	(4,703)
141,518	141,518		239,684	239,684	
40,668	40,668				
<b>\$39,802</b>	<b>\$174,636</b>	<b>\$134,834</b>	<b>\$259,332</b>	<b>\$254,629</b>	<b>(\$4,703)</b>

(Continued)

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED JUNE 30,2001**

(Continued)

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget Revised	Actual	
<b>Revenues:</b>			
From local sources:			
Taxes	\$180,519	\$123,896	(\$56,623)
Earnings on investments			
Other local revenues	275,349	196,108	(79,241)
Intergovernmental	96,528	99,096	2,568
Total revenues	<u>552,396</u>	<u>419,100</u>	<u>(133,296)</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	51,809	77,651	(25,842)
Special			
Vocational			
Other			
Pupil			
Instructional staff			
Board of Education			
Administration			
Fiscal	3,000	2,515	485
Operations and maintenance	361,634	496,643	(135,009)
Pupil transportation			
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	1,674	8,437	(6,763)
Principal retirement			
Interest and fiscal charges			
Total expenditures	<u>418,117</u>	<u>585,246</u>	<u>(167,129)</u>
Excess of revenues over (under) expenditures	<u>134,279</u>	<u>(166,146)</u>	<u>(300,425)</u>
<b>Other financing sources (uses):</b>			
Refund of prior year's expenditures			
Operating transfers in		35,335	35,335
Operating transfers out			
Advances in			
Advances out	(19,366)	(19,366)	
Other Financing Sources			
Total other financing sources (uses)	<u>(19,366)</u>	<u>15,969</u>	<u>35,335</u>
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>114,913</u>	<u>(150,177)</u>	<u>(265,090)</u>
Fund balance, July 1	35,654	35,654	
Prior year encumbrances appropriated	336,484	336,484	
<b>Fund balance, June 30</b>	<b><u>\$487,051</u></b>	<b><u>\$221,961</u></b>	<b><u>(\$265,090)</u></b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

Expendable Trust			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
			\$4,337,369	\$4,293,147	(\$44,222)
	\$4,741	\$4,741	110,000	122,716	12,716
\$29,700	36,150	6,450	544,667	458,657	(86,010)
			3,828,899	3,713,809	(115,090)
29,700	40,891	11,191	8,820,935	8,588,329	(232,606)
6,000	3,561	2,439	3,747,823	3,782,556	(34,733)
			836,484	795,974	40,510
			96,535	94,889	1,646
14,050	9,450	4,600	114,680	112,126	2,554
			545,261	511,405	33,856
			190,051	158,284	31,767
			24,295	25,592	(1,297)
			782,817	718,836	63,981
			278,684	259,971	18,713
			1,046,483	1,134,021	(87,538)
			428,070	417,486	10,584
			75,851	68,412	7,439
			432,919	383,497	49,422
			5,544	9,764	(4,220)
			442,954	445,000	(2,046)
			159,170	159,170	
20,050	13,011	7,039	9,207,621	9,076,983	130,638
9,650	27,880	18,230	(386,686)	(488,654)	(101,968)
				4,000	4,000
			55,303	234,599	179,296
			(237,686)	(234,599)	3,087
			53,740	75,556	21,816
			(104,182)	(104,182)	
			14,667	(1,449)	(16,116)
			(218,158)	(26,075)	192,083
9,650	27,880	18,230	(604,844)	(514,729)	90,115
67,310	67,310		1,137,476	1,137,476	
			618,782	618,782	
<b>\$76,960</b>	<b>\$95,190</b>	<b>\$18,230</b>	<b>\$1,151,414</b>	<b>\$1,241,529</b>	<b>\$90,115</b>

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN RETAINED EARNINGS (DEFICIT)  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Operating revenues:</b>	
Sales	\$240,186
<b>Operating expenses:</b>	
Salaries	117,851
Fringe Benefits	29,297
Purchased services	4,864
Materials and supplies	12,894
Cost of Sales	160,988
Depreciation	3,424
Other	(385)
Total operating expenses	328,933
Operating loss	(88,747)
<b>Nonoperating revenues:</b>	
Operating Grants	46,501
Federal commodities	15,157
Total nonoperating revenues	61,658
Net loss	(27,089)
Retained earnings (deficit) July 1	(128)
<b>Retained earnings (deficit) June 30</b>	<b>(\$27,217)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2001**

	<b>Enterprise</b>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$240,186
Cash payments for salaries	(112,961)
Cash payments for fringe benefits	(27,790)
Cash payments for purchased services	(4,864)
Cash payments supplies and materials	(145,821)
Cash payments for other expenses	(317)
	(51,567)
<b>Cash flows from noncapital financing activities:</b>	
Cash received from operating grants	38,532
Cash received from advance in	33,928
Cash payments for advances out	(5,303)
	67,157
Net cash provided by noncapital financing activities	67,157
Net increase in cash and cash equivalents	15,590
Cash and cash equivalents at beginning of year	6,653
<b>Cash and cash equivalents at end of year</b>	<b>\$22,243</b>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>	
Operating loss	(\$88,747)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,424
Federal donated commodities	15,157
Changes in assets and liabilities:	
Decrease in Prepaid Items	283
Decrease in inventory held for resale	760
Decrease in materials and supplies inventory	62
Decrease in fixed assets	2,850
Increase in accrued wages & benefits	2,893
Increase in compensated absences payable	1,212
Increase in Accounts payable	9,538
Increase in intergovernmental payable	1,307
Decrease in deferred revenue	(306)
	(306)
<b>Net cash used in operating activities</b>	<b>(\$51,567)</b>

*The notes to the general-purpose financial statements are an integral part of this statement.*

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**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

**NOTE 1 - DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY**

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

The District was established in 1968. The District serves an area of approximately sixty-seven square miles. It is located in Sandusky and Ottawa Counties and includes all of the Village of Woodville and the Village of Elmore. The District is the 416<sup>th</sup> largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by forty classified employees, eighty-four certified teaching personnel, and twelve administrative employees who provide services to 1,312 students and other community members. The District currently operates an elementary school and a middle/high school.

**Reporting Entity**

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Woodmore 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. There are no component units of the Woodmore Local School District.

The following activity is included within the District's reporting entity:

Solomon Lutheran - Within the District boundaries, Solomon Lutheran is operated as a private school. Current state legislation provides funding to this parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity of these monies is reflected as a special revenue fund for financial reporting purposes by the District.

The District is associated with four jointly governed organizations, two insurance pools, and a related organization. These organizations are the Northern Ohio Educational Computer Association, Penta Career Center, Bay Area Council, and Northwestern Ohio Educational Research Council, Inc., San-Ott Insurance Consortium, Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Harris-Elmore Public Library. Information about these organizations is presented in Notes 17, 18, and 19 to the combined financial statements.

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**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation - Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories of governmental, proprietary, and fiduciary.

*GOVERNMENTAL FUND TYPES*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

*General Fund* - The General 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 balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Ohio.

*Special Revenue Funds* - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects and expendable trusts) that are legally restricted to expenditure for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

*Capital Projects Funds* - Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

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*PROPRIETARY FUND TYPE*

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following is the District's proprietary fund type:

*Enterprise Funds* - Enterprise funds are used to account for activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

*FIDUCIARY FUND TYPES*

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable trust funds are accounted for in essentially the same manner as proprietary funds. The District did not have any nonexpendable trust funds in fiscal year 2001. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*ACCOUNT GROUPS*

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

*General Fixed Assets Account Group* - This account group is established to account for all fixed assets of the District, except those accounted for in proprietary funds or trust funds.

*General Long-Term Obligations Account Group* - This account group is established to account for all long-term obligations of the District, except those accounted for in proprietary funds or trust funds.

**B. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange 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. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the 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 the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

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**C. Budgetary Process**

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as

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certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The Board of Education may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted.

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

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and expendable trust funds and reported in the notes to the financial statements for enterprise funds.

Lapsing of Appropriations

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

**D. Cash and Investments**

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 District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

During fiscal year 2001, investments were limited to nonnegotiable certificates of deposit, repurchase agreements, and STAR Ohio. Nonnegotiable certificates of deposit and repurchase agreements are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio 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 STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$111,790, which included \$61,701 assigned from other District funds.

For purposes of the statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less

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at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

**E. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2001, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

**F. Inventory**

Inventory in governmental funds is stated at cost while inventory in the enterprise funds is stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in the governmental funds consists of expendable supplies held for consumption. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased. Reported materials and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventory in the enterprise funds consists of donated food, purchased food, and school supplies held for resale and is expensed when used.

**G. Fixed Assets and Depreciation**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the enterprise funds are capitalized in the respective fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market value as of the date received. The District maintains a capitalization threshold of five hundred dollars. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to enterprise fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of eight to twenty years.

**H. Interfund Assets/Liabilities**

Short-term interfund loans are classified as "Interfund Receivables/Payables".

**I. Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. No liability for vacation benefits is recorded because an employee cannot carryover vacation days from year to year.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In the enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**J. Accrued Liabilities and Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments for these liabilities made more than sixty days after fiscal year end are considered not to have required the use of current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

Long-term debt and other obligations financed by the enterprise funds are reported as liabilities in the appropriate fund.

**K. Fund Balance Reserves**

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

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

**L. Intergovernmental Revenues**

For governmental funds, intergovernmental revenues, such as grants awarded on a non-reimbursement basis, entitlements, and shared revenues are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for enterprise fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

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The District currently participates in several State and Federal programs, categorized as follows:

**Entitlements**

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Allocation

**Non-Reimbursable Grants**

Special Revenue Funds

- Auxiliary Services
- Professional Development
- Education Management Information System
- Disadvantaged Pupil Impact Aid
- Ohio Reads
- Summer Intervention
- Migrant Education
- Eisenhower
- Title VI-B
- Title I
- Title VI
- Title VI-R
- Drug Free

Capital Projects Funds

- SchoolNet/SchoolNet Plus

**Reimbursable Grants**

General Fund

- Driver Education
- E-Rate

Enterprise Funds

- National School Lunch Program
- Government Donated Commodities

Grants and entitlements were 44 percent of the revenues in the District's governmental fund types during the 2001 fiscal year.

**M. Interfund Transactions**

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

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Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**N. Estimates**

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

**O. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principle**

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

**B. Deficit Fund Balance**

At June 30, 2001, the Title VI-B and Title I special revenue funds had deficit fund balances of \$27,485 and \$1,866 respectively. The Food Service enterprise fund had deficit retained earnings of \$3,773. These deficits were created by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

The Uniform School Supplies enterprise fund had deficit retained earnings of \$23,444, at June 30, 2001, as a result of accumulated operating losses from prior years.

**C. Compliance**

Twenty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred.

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**NOTE 4 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - Enterprise Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/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 and expendable trust funds and as note disclosure in the enterprise funds (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources  
Over (Under) Expenditures and Other Financing Uses  
All Governmental Fund Types and Expendable Trust Funds

	Governmental Fund Types				
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	(\$391,618)	\$41,531	\$16,470	(\$16,908)	\$27,880
<u>Increase (Decrease) Due To:</u>					
Revenue Accruals:					
Accrued FY 2000, Received in Cash FY 2001	433,603		63,428	16,476	
Accrued FY 2001, Not Yet Received in Cash	(437,597)	(8,975)	(64,953)	(68,620)	
Expenditure Accruals:					
Accrued FY 2000, Paid in Cash FY 2001	(798,120)	(27,157)		(56,958)	
Accrued FY 2001, Not Yet Paid in Cash	894,255	70,972		161,155	

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS  
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	Governmental Fund Types				Expendable Trust
	General	Special Revenue	Debt Service	Capital Projects	
Prepaid Items Accrued in FY 2000	43,754	148			
Prepaid Items Accrued in FY 2001	(36,966)	(162)			
Advances In	53,740	21,816			
Advances Out	(55,745)	(29,071)		(19,366)	
Encumbrances Outstanding at Year End (Budget Basis)	(105,133)	(76,652)		(165,956)	
Budget Basis	<u>(\$399,827)</u>	<u>(\$7,550)</u>	<u>\$14,945</u>	<u>(\$150,177)</u>	<u>\$27,880</u>

**NOTE 5 - 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association,

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Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

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.

At fiscal year end, the District had \$120 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the District's deposits was \$104,955 and the bank balance was \$160,805. Of the bank balance, \$160,805 was covered by federal depository insurance. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

The District's investments are categorized to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. The District's investment in STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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	<u>Category 3</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Repurchase Agreements	<u>\$737,005</u>	\$737,005	\$737,005
STAR Ohio		822,166	822,166
Totals		<u>\$1,559,171</u>	<u>\$1,559,171</u>

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$1,664,246	
Cash on Hand	(120)	
Investments:		
Repurchase Agreements	(737,005)	\$737,005
STAR Ohio	(822,166)	822,166
GASB Statement No. 3	<u>\$104,955</u>	<u>\$1,559,171</u>

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes for 2001 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2001 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes for 2001 were levied

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after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Sandusky and Ottawa Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal 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, 2001, was \$363,640 in the General Fund, \$64,952 in the Bond Retirement debt service fund, and \$15,009 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$431,626 in the General Fund, \$63,428 in the Bond Retirement debt service fund, and \$15,643 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2000 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$76,537,000	56.17%	\$87,835,400	61.03%
Industrial/Commercial	13,285,480	9.75	12,353,140	8.58
Public Utility	10,942,600	8.03	9,943,550	6.92
Tangible Personal	35,491,031	26.05	33,784,211	23.47
Total Assessed Value	<u>\$136,256,111</u>	<u>100.00%</u>	<u>\$143,916,301</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$40.70		\$40.70	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2001, consisted of property taxes, accounts (student fees, rent, and billings for user charged services), intergovernmental, and interfund receivables. 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.

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A summary of the principal items of receivables follows:

	Amounts
General Fund	
Taxes	\$3,683,745
Accounts	2,738
Intergovernmental	71,220
Special Revenue Funds	
Intergovernmental	53,129
Debt Service Fund	
Taxes	527,031
Capital Project Funds	
Taxes	125,960
Accounts	53,611
Enterprise Funds	
Intergovernmental	7,968
Total Receivables	<u>\$4,525,402</u>

**NOTE 8 - FIXED ASSETS**

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$136,735
Less Accumulated Depreciation	(109,456)
Net Fixed Assets	<u>\$27,279</u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Land and Improvements	\$497,836			\$497,836
Buildings and Improvements	8,291,528	\$245,436		8,536,964
Furniture, Fixtures, and Equipment	1,773,812	75,545	\$41,014	1,808,343
Vehicles	662,966	114,808	78,662	699,112
Books	504,821			504,821
Construction in Progress	60,525	35,424		95,949
Totals	<u>\$11,791,488</u>	<u>\$471,213</u>	<u>\$119,676</u>	<u>\$12,143,025</u>

**NOTE 9 - INTERFUND ASSETS/LIABILITIES**

At June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

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Fund Type/Fund	Interfund Receivable	Interfund Payable
General Fund	\$69,705	\$1,495
Special Revenue Funds		
Title VI-B		21,816
Total Special Revenue Funds		21,816
Debt Service Fund		
Bond Retirement	1,495	
Total Debt Service Fund	1,495	
Enterprise Funds		
Food Service		21,928
Uniform School Supplies		25,961
Total Enterprise Funds		47,889
Total All Funds	\$71,200	\$71,200

**NOTE 10 - 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 2001, the District contracted for the following insurance coverages:

Coverages provided by Utica National Insurance are as follows:

Building and Contents/Boiler and Machinery - blanket coverage building and premises, 90% coinsurance	\$21,366,920
Inland Marine-Misc. School equipment per occurrence	500,000
Inland Marine- Musical instruments per occurrence	500,000

Coverages provided by Grange Mutual Casualty are as follows:

Automobile Liability (\$500 deductible per person/accident)	1,000,000
Medical Payments - per person	5,000

Coverages provided by Nationwide Insurance are as follows:

General School District Liability	
Per Occurrence	1,000,000
General Aggregate Limit	3,000,000
Umbrella Liability	
Per Occurrence	2,000,000
Aggregate Limit	2,000,000

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

The District participates in the San-Ott Insurance Consortium (the Consortium), a public entity shared risk pool consisting of ten local school districts. The District pays monthly premiums to the Consortium for employee medical and dental insurance benefits. The Consortium is responsible for the management and operation of the program. Upon withdrawal from the Consortium, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

For fiscal year 2001, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the GRP.

**NOTE 11 - DEFINED BENEFIT PENSION PLANS**

**A. 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 retirement and disability benefits, annual cost-of-living adjustments, and death benefits 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, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2001. 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 required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$232,914, \$222,828, and \$226,786, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$38,826, is recorded as a liability within the respective funds.

**B. 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 administered by the School Employees Retirement Board. SERS

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provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by 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, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.6 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$52,364, \$51,498, and \$67,305, respectively; 42 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$30,631, is recorded as a liability within the respective funds and the general long-term obligations account group.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2001, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 12 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$310,552 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

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For this fiscal year, employer contributions to fund health care benefits were 8.55 percent of covered payroll, an increase from 8.5 percent for fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$94,609 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000, were \$140,696,340, and the target level was \$211.0 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**NOTE 13 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred forty days for classified employees and two hundred sixty-eight days for certified employees. Upon retirement, payment is made for 25 percent of accumulated unused sick leave credit to a maximum of sixty days for classified employees and sixty-seven days for certified employees.

**B. Health Care Benefits**

The District provides medical and dental insurance to most employees through the San-Ott Insurance Consortium. Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance and accidental death and dismemberment insurance are provided through Mutual of Omaha Insurance Company.

**NOTE 14 - LONG-TERM OBLIGATIONS**

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Energy Conservation Loan 1994 5.600%	\$240,000		\$55,000	\$185,000
School Improvement Bonds 1993 7.252%	3,104,826		390,000	2,714,826
Total Loans and Bonds Payable	<u>3,344,826</u>		<u>445,000</u>	<u>2,899,826</u>

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	Balance at 6/30/00	Additions	Reductions	Balance at 6/30/01
Compensated Absences Payable	539,920	81,392		621,312
Intergovernmental Payable	86,761	59,324	86,761	59,324
Total General Long-Term Obligations	<u>\$3,971,507</u>	<u>\$140,716</u>	<u>\$531,761</u>	<u>\$3,580,462</u>

Energy Conservation Loan - On May 23, 1994, the District obtained a loan, in the amount of \$518,109, to provide energy conservation measures for the District. The loan was obtained for a ten year period, with final maturity in fiscal year 2004. The loan is being retired through the General Fund.

School Improvement General Obligation Bonds - On April 15, 1993, the District issued \$5,249,826 in voted general obligation bonds for school building improvements. The bonds were issued for a seventeen year period with final maturity on December 1, 2009. The bonds are being retired through the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

The District's overall debt margin was \$11,098,718 with an unvoted debt margin of \$149,916 at June 30, 2001.

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

Fiscal Year	Principal	Interest	Total
2002	\$475,000	\$133,730	\$608,730
2003	495,000	110,603	605,603
2004	505,000	86,210	591,210
2005	480,000	61,720	541,720
2006	36,093	503,627	539,720
2007 - 2009	908,733	549,859	1,458,592
	<u>\$2,899,826</u>	<u>\$1,445,749</u>	<u>\$4,345,575</u>

**NOTE 15 - SET ASIDE REQUIREMENTS**

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward and used for the same purposes in future years. In addition, in prior years the District was required to set aside money for budget stabilization.

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2001.

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	Textbooks	Capital Improvements	Budget Stabilization
Balance June 30, 2000	(\$50,986)	(\$315,083)	\$54,717
Current Year Set Aside Requirement	168,590	168,590	
Qualifying Expenditures	(156,441)	(122,914)	(35,334)
Legislative Reduction			(19,383)
Qualifying Offsets		(331,209)	
Amount Carried Forward to Fiscal Year 2002	<u>(\$38,837)</u>	<u>(\$600,616)</u>	

In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers compensation refunds was required to be set aside at fiscal year end. The balance no longer required by statute for budget stabilization was returned to the general fund by Board resolution. The remaining portion of workers compensation refunds was spent for qualifying school repairs.

**NOTE 16 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Woodmore Local District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$220,196	\$19,990	\$240,186
Depreciation Expense	3,424		3,424
Operating Loss	(76,638)	(12,109)	(88,747)
Federal Donated Commodities	15,157		15,157
Operating Grants	46,501		46,501
Net Income (Loss)	(14,980)	(12,109)	(27,089)
Fixed Asset Additions	5,060		5,060
Fixed Asset Disposals	7,910		\$7,910
Net Working Capital	(27,889)	(20,718)	(48,607)
Total Assets	44,946	22,112	67,058
Total Equity (Deficit)	(3,773)	(23,444)	(27,217)
Encumbrances Outstanding at Year End (Budget Basis)	132	22,112	22,244

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**NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS**

**A. Northern Ohio Educational Computer Association**

The District is a participant in the Northern Ohio Educational Computer Association (NOECA), which is a computer consortium. NOECA is an association of thirty-eight school districts 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 NOECA Board of Directors consists of two representatives from each county in which participating school districts are located, and the chairman of each of the operating committees. Financial information can be obtained from Betty Schwiefert, who serves as Controller, 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**B. Penta Career Center**

The Penta Career Center (Penta) is a distinct political subdivision of the State of Ohio which provides vocational education. Penta operates under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even number years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers and one each from the Bowling Green, Maumee, and Rossford City Boards of Education. Five members are appointed during the odd number years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg City Board of Education. The degree of control exercised by the District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Carrie Herringshaw, who serves as Treasurer, 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

**C. Bay Area Council**

The Bay Area Council was established in 1986 to carry out a cooperative program for the purchase of natural gas among boards of education located in Erie, Huron, Ottawa, Sandusky, Seneca, and Wood Counties. The Bay Area Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member boards of education. The Bay Area Council is governed by a Board of Directors. This Board is elected by an Assembly consisting of a representative from each participating school district. Financial information can be obtained from the Erie-Huron-Ottawa Educational Service Center, who serves as Fiscal Agent, 2900 Columbus Avenue, Sandusky, Ohio 44870.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors.

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**NOTE 18 - INSURANCE POOLS**

**A. San-Ott Insurance Consortium**

The San-Ott Insurance Consortium (the Consortium) is a public entity shared risk pool consisting of ten local school districts. The Consortium is a Voluntary Employee Benefit Association under Section 501(c)(9) of the Internal Revenue Code and provides medical and dental insurance benefits to the employees of the participants. Each participants' superintendent is appointed to an Administrative Committee which advises the Trustee, Key Bank, concerning aspects of the administration of the Consortium.

Each participant decides which plans offered by the Administrative Committee will be extended to its employees. Participation in the Consortium is by written application subject to acceptance by the Administrative Committee and payment of the monthly premiums. Financial information can be obtained from Jay Valasek, who serves as Treasurer, 1306 Cedar Street, Fremont, Ohio 43420.

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

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

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

**NOTE 19 - RELATED ORGANIZATION**

**Harris-Elmore Public Library**

The Harris-Elmore Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Woodmore Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the District for operational subsidies. Although the District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from Georgia Huizenga, who serves as Clerk/Treasurer, 328 Toledo Street, Elmore, Ohio 43416.

**NOTE 20 - STATE SCHOOL FUNDING DECISION**

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

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- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 14, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**NOTE 21 - 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, 2001.

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## REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Woodmore Local School District  
Sandusky County  
708 West Main Street  
Woodville, Ohio 43469-1099

To the Board of Education:

We have audited the financial statements of Woodmore Local School District as of and for the year ended June 30, 2001, and have issued our report thereon dated February 14, 2002. 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.

### Compliance

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 grants, 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 that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-10172-001. We also noted certain immaterial instances of noncompliance that we have reported to management of Woodmore Local School District in a separate letter dated February 14, 2002.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Woodmore Local School District in a separate letter dated February 14, 2002.

Woodmore Local School District  
Sandusky County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended for the information and use of the audit committee, management and Board of Education, and is not intended to be and should not be used by anyone other than these specified parties.

**Jim Petro**  
Auditor of State

February 14, 2002

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2001**

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

**FINDING NUMBER 2001-10172-001**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money is to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- a. Then and Now Certificate - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Twenty percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. To improve controls over disbursements, we recommend that all District disbursements receive certification of the fiscal officer that the funds are or will be available.

WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2001

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-10172-001	ORC § 5705.41 (B)	Partially corrected	We reported this finding in the management letter.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WOODSMORE LOCAL SCHOOL DISTRICT**

**SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 7, 2002**