

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

***FINANCIAL STATEMENTS  
(AUDITED)***

**FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004**

**NANCY KUHLMAN, TREASURER**





**Auditor of State  
Betty Montgomery**

Board of Education  
Elmwood Local School District  
Bloomdale, Ohio

We have reviewed the Independent Auditor's Report of the Elmwood Local School District, Wood County, prepared by Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

November 22, 2004

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**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

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“SERVING OHIO LOCAL GOVERNMENTS”

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## Independent Auditor's Report

Board of Education  
Elmwood Local School District  
7050 Jerry City Road  
Bloomdale, Ohio 44817

We have audited the accompanying financial statements of the Elmwood Local School District, Wood County, (the “District”) as of and for the fiscal year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as described in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, and combined cash fund balances of the Elmwood Local School District, Wood County, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the fiscal year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2004, 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.

Independent Auditor's Report  
Elmwood Local School District

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

This report is intended solely for the information and use of the management, Board of Education, and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
September 16, 2004

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF FUND BALANCES  
ALL FUND TYPES - CASH BASIS  
JUNE 30, 2004

<u>Cash and Cash Equivalents</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 7,750,767
Total Cash and Cash Equivalents	<u>\$ 7,750,767</u>
<u>Cash Fund Balances</u>	
<u>Governmental Fund Types:</u>	
General	\$ 5,203,400
Special Revenue	416,945
Debt Service	371,443
Capital Projects	<u>1,663,301</u>
Total Governmental Fund Types	<u>7,655,089</u>
<u>Proprietary Fund Type:</u>	
Enterprise	<u>7,913</u>
<u>Fiduciary Fund Types:</u>	
Nonexpendable Trust	30,539
Expendable Trust	11,951
Agency	<u>45,275</u>
Total Fiduciary Fund Types	<u>87,765</u>
Total Cash Fund Balances	<u>\$ 7,750,767</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH FUND  
BALANCES - ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash receipts:</b>						
From local sources:						
Taxes	\$ 2,891,743	\$ 41,833	\$ 493,279	\$ -	\$ -	\$ 3,426,855
Earnings on investments	78,375	-	-	58,097	124	136,596
Extracurricular activities	-	188,200	-	-	-	188,200
Classroom materials and fees	5,575	-	-	-	-	5,575
Tuition	65,785	18,317	-	-	-	84,102
Other local revenue	23,408	5,929	-	3,600	-	32,937
Intergovernmental - state	5,251,282	332,219	18,638	1,326,237	-	6,928,376
Intergovernmental - federal	2,346	445,145	-	-	-	447,491
<b>Total cash receipts</b>	<b>8,318,514</b>	<b>1,031,643</b>	<b>511,917</b>	<b>1,387,934</b>	<b>124</b>	<b>11,250,132</b>
<b>Cash disbursements:</b>						
Current:						
Instruction:						
Regular	3,397,403	237,025	-	28,625	551	3,663,604
Special	515,402	313,316	-	-	-	828,718
Vocational	224,767	2,834	-	399	-	228,000
Other	9,082	-	-	-	-	9,082
Support Services:						
Pupil	283,163	79,090	-	-	-	362,253
Instructional staff	630,867	36,331	-	-	-	667,198
Board of Education	86,467	-	-	-	-	86,467
Administration	765,477	22,585	-	-	-	788,062
Fiscal services	223,429	14,554	5,310	-	-	243,293
Business	7,967	-	-	-	-	7,967
Operations and maintenance	1,015,637	28,288	-	1,011	-	1,044,936
Pupil transportation	571,822	25,743	-	-	-	597,565
Central	23,139	16,145	-	-	-	39,284
Non-Instructional services	2,182	22,634	-	-	-	24,816
Extracurricular activities	232,390	151,388	-	-	-	383,778
Facilities acquisition and construction services	58,078	5,225	-	11,434,646	-	11,497,949
Debt service:						
Principal retirement	360,000	-	180,000	-	-	540,000
Interest and fiscal charges	21,275	-	216,698	-	-	237,973
Disbursements to escrow agent	390,802	-	-	-	-	390,802
<b>Total cash disbursements</b>	<b>8,819,349</b>	<b>955,158</b>	<b>402,008</b>	<b>11,464,681</b>	<b>551</b>	<b>21,641,747</b>
<b>Total cash receipts over/ (under) cash disbursements</b>	<b>(500,835)</b>	<b>76,485</b>	<b>109,909</b>	<b>(10,076,747)</b>	<b>(427)</b>	<b>(10,391,615)</b>
<b>Other financing receipts/(disbursements):</b>						
Transfers-in	-	9,394	-	859,435	-	868,829
Transfers-out	(868,829)	-	-	-	-	(868,829)
Advances-in	9,299	-	-	-	-	9,299
Advances-out	(36,268)	-	-	-	-	(36,268)
Refund of prior year expenditures	803,098	-	-	-	-	803,098
Sale of assets	93,866	-	-	-	-	93,866
<b>Total other financing receipts/(disbursements)</b>	<b>1,166</b>	<b>9,394</b>	<b>-</b>	<b>859,435</b>	<b>-</b>	<b>869,995</b>
<b>Excess of cash receipts and other financing receipts over (under) cash disbursements and other financing disbursements</b>	<b>(499,669)</b>	<b>85,879</b>	<b>109,909</b>	<b>(9,217,312)</b>	<b>(427)</b>	<b>(9,521,620)</b>
<b>Cash fund balances, July 1, 2003</b>	<b>5,703,069</b>	<b>331,066</b>	<b>261,534</b>	<b>10,880,613</b>	<b>12,378</b>	<b>17,188,660</b>
<b>Cash fund balances, June 30, 2004</b>	<b>\$ 5,203,400</b>	<b>\$ 416,945</b>	<b>\$ 371,443</b>	<b>\$ 1,663,301</b>	<b>\$ 11,951</b>	<b>\$ 7,667,040</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Proprietary Fund Type	Fiduciary Fund Types		Total
	Enterprise	Nonexpendable Trust	Agency	(Memorandum Only)
Operating cash receipts:				
Sales/charges for services	\$ 346,024	\$ -	\$ -	\$ 346,024
Extracurricular activities	-	-	88,708	88,708
Total operating cash receipts	<u>346,024</u>	<u>-</u>	<u>88,708</u>	<u>434,732</u>
Operating cash disbursements:				
Personal services	142,051	-	-	142,051
Employees' retirement and insurance	84,315	-	-	84,315
Purchased services	1,117	-	23,245	24,362
Supplies and material	225,768	-	75,095	300,863
Capital outlay	13,543	-	5,339	18,882
Other	1,224	-	5,583	6,807
Total operating cash disbursements	<u>468,018</u>	<u>-</u>	<u>109,262</u>	<u>577,280</u>
Operating income/(loss)	<u>(121,994)</u>	<u>-</u>	<u>(20,554)</u>	<u>(142,548)</u>
Nonoperating cash receipts:				
Interest income	-	303	-	303
State sources	3,698	-	-	3,698
Federal sources	86,584	-	-	86,584
Donations	-	-	3,743	3,743
Total nonoperating cash receipts	<u>90,282</u>	<u>303</u>	<u>3,743</u>	<u>94,328</u>
Excess of receipts over/(under) disbursements before interfund advances	<u>(31,712)</u>	<u>303</u>	<u>(16,811)</u>	<u>(48,220)</u>
Advances-in	36,268	-	-	36,268
Advances-out	<u>(9,299)</u>	<u>-</u>	<u>-</u>	<u>(9,299)</u>
Net income/(loss)	(4,743)	303	(16,811)	(21,251)
Cash fund balances, July 1, 2003	<u>12,656</u>	<u>30,236</u>	<u>62,086</u>	<u>104,978</u>
Cash fund balances, June 30, 2004	<u>\$ 7,913</u>	<u>\$ 30,539</u>	<u>\$ 45,275</u>	<u>\$ 83,727</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Fund Types	Receipts				Disbursements					Variance Favorable (Unfavorable)		
	County Certified Unencumbered Cash	2004 Estimated Receipts	Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	(Restated) Prior Year Carryover Appropriations	Fiscal Year 2004 Appropriations	Total	Actual 2004 Disbursements		Encumbrances Outstanding at 6/30/04	Total
<b>Governmental:</b>												
General	\$ 5,693,871	\$ 9,541,662	\$ 15,235,533	\$ 9,224,777	\$ (316,885)	\$ 48,901	\$ 10,911,942	\$ 10,960,843	\$ 9,724,446	\$ 363,274	\$ 10,087,720	\$ 873,123
Special Revenue	303,106	1,068,493	1,371,599	1,041,037	(27,456)	27,959	1,194,407	1,222,366	955,158	54,933	1,010,091	212,275
Debt Service	220,031	534,418	754,449	511,917	(22,501)	-	410,922	410,922	402,008	-	402,008	8,914
Capital Projects	3,305,140	2,337,474	5,642,614	2,247,369	(90,105)	7,577,273	5,292,408	12,869,681	11,464,681	898,781	12,363,462	506,219
<b>Proprietary:</b>												
Enterprise	4,242	512,214	516,456	472,574	(39,640)	8,415	509,105	517,520	477,317	6,639	483,956	33,564
<b>Fiduciary:</b>												
Expendable Trust	12,378	200	12,578	124	(76)	-	900	900	551	-	551	349
Nonexpendable Trust	30,236	100	30,336	303	203	-	500	500	-	-	-	500
<b>Total (Memorandum Only)</b>	<b>\$ 9,569,004</b>	<b>\$ 13,994,561</b>	<b>\$ 23,563,565</b>	<b>\$ 13,498,101</b>	<b>\$ (496,460)</b>	<b>\$ 7,662,548</b>	<b>\$ 18,320,184</b>	<b>\$ 25,982,732</b>	<b>\$ 23,024,161</b>	<b>\$ 1,323,627</b>	<b>\$ 24,347,788</b>	<b>\$ 1,634,944</b>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. DESCRIPTION OF THE ENTITY**

The Elmwood Local School District, Wood County, Ohio (the "District"), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education (5 members) and is responsible for providing public education to residents of the District. The District has its own fiscal officer (Treasurer), who is appointed by the Board.

Average daily membership (ADM) for fiscal year ended June 30, 2004, was 1,212 (actual measurement dates are the first full school week in October). In addition, the District employed a monthly average of 100 certified employees and 48 non-certified employees.

*Joint Venture Without Equity Interest:*

Northern Ohio Educational Computer Association - The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight area school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member school districts and service Districts. Each of the governments of these schools support NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating District and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two assembly members from each county in which participating service centers are located. Each district's authority is limited to its representation on the Board. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Jointly Governed Organizations:*

Penta Career Center

The vocational school district is a separate body politic and corporate, established by the Ohio Revised Code (ORC) to provide vocational and special education needs of the students. The school accepts non-tuition students from the District as a member school, however, it is considered a separate political subdivision and is not considered to be part of the District.

**B. BASIS OF ACCOUNTING**

Although required by Ohio Administrative Code Section 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters in accordance with the basis of accounting described in the preceding paragraph.

**C. FUND ACCOUNTING**

The District maintains its accounting records in accordance with the principles of fund accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, and accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of fund are as follows:

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract 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

The Special Revenue Fund Type is used to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes. The District had the following significant special revenue fund for the fiscal year ended June 30, 2004:

*Public School Preschool:* This fund receives grant monies and tuition payments to assist school districts in paying the cost of preschool programs for three and four year olds.

Debt Service Funds

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable. The District had the following significant debt service funds for the fiscal year ended June 30, 2004:

*Bond Retirement Fund:* This fund receives tax and intergovernmental monies for the subsequent retirement of debt.

*Classroom Facilities Bond Retirement Fund:* This fund receives taxes and intergovernmental monies for the subsequent retirement of debt.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Capital Projects Funds

The 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 and Trust Funds). The District had the following significant capital projects fund for the fiscal year ended June 30, 2004:

*Classroom Facilities:* This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

PROPRIETARY FUND TYPE:

Enterprise Funds

The Enterprise Funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has 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. The District had the following significant enterprise fund for the fiscal year ended June 30, 2004:

*Food Services:* This fund receives grant monies and customer fees to record financial transactions related to the District's food service operation.

FIDUCIARY FUND TYPES:

Fiduciary Funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The District's fiduciary funds include nonexpendable trust fund, expendable trust fund and agency funds. The nonexpendable trust fund and Agency funds are accounted for in essentially the same manner as proprietary funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District had the following significant fiduciary funds at June 30, 2004:

*S. Andrew Bish Memorial (Expendable Trust)* - This fund receives interest for the purpose of providing scholarships to students.

*Jerry City Lodge Scholarship (Nonexpendable Trust)* - This fund receives interest for the purpose of providing scholarships to students.

*Student Activity (Agency)* - This fund receives monies from extracurricular activities to satisfy the objectives of the specific activity.

**D. BUDGETARY PROCESS**

**1. Budget**

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 legal level of budgetary control is at the fund level. All budgetary modifications at this level may only be made by resolution of the Board of Education.

**2. Tax Budget**

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.



**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

3. Estimated Resources

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

Estimated receipts reported in the budgetary statement reflect the amounts in the final amended certificate issued during fiscal year 2004 and do not include the unencumbered fund balances as of July 1, 2003. However, those fund balances are available for appropriations.

4. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. 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.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

5. 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 budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures may not exceed appropriations at the legal level of control.

6. Lapsing of Appropriations

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

**E. CASH AND INVESTMENTS**

For reporting purposes, the District considers "Cash and Cash Equivalents to be cash on hand, demand deposits, and all investments held by the District with a maturity date less than or equal to three months from the date of purchase. Interest income earned and received by the District totaled \$136,899 for the fiscal year ended June 30, 2004.

**F. PROPERTY, PLANT AND EQUIPMENT**

Fixed assets acquired or constructed for the District are recorded as disbursements in the fund in the year expended, and are not capitalized. Depreciation is not recorded for these fixed assets.

**G. ACCUMULATED UNPAID VACATION, SICK LEAVE, AND PERSONAL LEAVE**

Accumulated unpaid vacation leave, sick leave, and personal leave are not accrued under the cash basis of accounting described in Note 1. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees. It is not practical to determine the actuarial value of these benefits as of June 30, 2004.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. INTERFUND TRANSACTIONS**

During the normal course of operations the District had transactions between funds, of which the most significant included transfers and advances. The resources transferred are to be expended for operations by the necessary fund and are recorded as operating transfers. Advances are temporary loans to other funds which are ultimately repaid.

**I. INTERGOVERNMENTAL REVENUES**

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the District's cash basis method of accounting.

**J. TOTAL COLUMNS ON FINANCIAL STATEMENTS**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**2. PROPERTY TAXES**

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

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

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**2. PROPERTY TAXES - (Continued)**

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

The District receives property taxes from Wood and Hancock Counties. The County Auditor periodically advances to the District its portion of the taxes collected.

The County is responsible for assessing property, and for billing, collecting and distributing all property taxes on behalf of the District.

**3. CASH 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 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 moneys deposited with the institution.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. CASH AND INVESTMENTS - (Continued)**

State statute permits interim monies to be deposited or invested in the following securities:

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

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. CASH AND INVESTMENTS - (Continued)**

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.

During fiscal year 2004, the District's investments were limited to STAR Ohio and a Certificate of Deposit. 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 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, 2004.

The carrying amount of cash and investments at June 30, 2004 was as follows:

Deposits:	
Demand deposits	\$ 2,244,710
Investments:	
STAR Ohio	<u>5,506,057</u>
Total investments	<u>5,506,057</u>
Total deposits and investments	<u><u>\$ 7,750,767</u></u>

Cash with Escrow Agent:

At June 30, 2004, the District had \$175,005 held by an escrow agent and \$10,938 held in a bond reserve account in connection with the bond retirement. The District makes quarterly required deposits comprised of principal and interest into this escrow account, which distributes the bond payments on behalf of the District upon bond maturity.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**3. CASH AND INVESTMENTS - (Continued)**

Deposits:

At year end, the carrying amount of the District's deposits was \$2,244,710 and the bank balance was \$2,096,438. Of the bank balance, \$200,000 was covered by federal deposit insurance and the remaining balance was collateralized by the financial institution's public entity deposit pool.

Although all statutory requirements for the deposit of money have been followed, non-compliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

Investments:

The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Investments are usually categorized into three categories of credit risk:

Category 1: Securities held by the District or its agent in the District's name.

Category 2: Securities held by the counter party's trust department or agency in the District's name.

Category 3: Securities held by the counter party, or by its trust department or agent but not in the District's name.

The District's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	<u>Fair Value</u>
STAR Ohio	<u>\$ 5,506,057</u>
Total investments	<u><u>\$ 5,506,057</u></u>

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**4. DEBT SERVICE**

Debt activity and outstanding balances at June 30, 2004, was as follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2003</u>	<u>Retired in 2004</u>	<u>Outstanding June 30, 2004</u>
G.O. Bonds	9.50%	12/1/2006	\$ 300,000	\$ (75,000)	\$ 225,000
Classroom Facilities					
G.O. Bonds	Varying	12/1/2005	1,095,000	(360,000)	735,000
School Facilities					
Construction Bonds	Varying	12/1/2023	<u>3,535,000</u>	<u>(105,000)</u>	<u>3,430,000</u>
Total			<u>\$ 4,930,000</u>	<u>\$ (540,000)</u>	<u>\$ 4,390,000</u>

Outstanding general obligation bonds consist of school building construction issues. General obligation bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property in the District.

On April 1, 1983, the District issued \$1,735,000 School Improvement Bonds to make necessary improvements to the District buildings at an interest rate of 9.5%, maturing in fiscal year 2007. Payments of principal and interest are recorded in the debt service fund.

On April 24, 2001, the District issued \$1,800,000 School Facilities Construction and Improvement special obligation bonds to assist in funding the construction of the District's new K-12 buildings. This issue is comprised of serial bonds having interest rates ranging from 3.55% to 4.00% and maturing in fiscal year 2006. Payments of principal and interest are recorded in the general fund. The District contributed to an escrow account which will pay the associated principal and interest payments to retire such debt. The second required interest payment of \$14,525 was paid from escrow during 2004 with the remaining payments paid directly by the District. All remaining debt payments will be paid from escrow to retire all outstanding principal and interest.

On April 15, 2001, the District issued \$3,673,000 School Facilities Construction and Improvement Bonds to fund the construction of the new K-12 facility. This issue is comprised of both current interest bonds at a par value of \$3,158,000 and term bonds at a par value of \$515,000. The interest rates on the current interest bonds range from 3.4% to 5.0%. The term bonds have effective rates of 5.10%. Payments of principal and interest are recorded in the debt service fund.



**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**4. DEBT SERVICE - (Continued)**

Amortization of the above debt, including interest, is scheduled as follows:

Fiscal Year Ending June 30	General Obligation Bonds			Classroom Facilities General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 75,000	\$ 18,412	\$ 93,412	\$ 350,000	\$ 22,225	\$ 372,225
2006	75,000	10,687	85,687	385,000	7,700	392,700
2007	75,000	3,562	78,562	-	-	-
Total	<u>\$ 225,000</u>	<u>\$ 32,661</u>	<u>\$ 257,661</u>	<u>\$ 735,000</u>	<u>\$ 29,925</u>	<u>\$ 764,925</u>

  

Fiscal Year Ending June 30	School Facilities Construction Bonds			Totals		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 110,000	\$ 167,542	\$ 277,542	\$ 535,000	\$ 208,179	\$ 743,179
2006	110,000	163,334	273,334	570,000	181,712	751,712
2007	115,000	158,571	273,571	190,000	162,133	352,133
2008	120,000	153,166	273,166	120,000	153,166	273,166
2009	125,000	147,533	272,533	125,000	147,533	272,533
2010 - 2015	725,000	749,124	1,474,124	725,000	749,124	1,474,124
2016 - 2020	1,145,000	375,191	1,520,191	1,145,000	375,191	1,520,191
2021 - 2024	980,000	102,803	1,082,803	980,000	102,803	1,082,803
Total	<u>\$ 3,430,000</u>	<u>\$ 2,017,264</u>	<u>\$ 5,447,264</u>	<u>\$ 4,390,000</u>	<u>\$ 2,079,841</u>	<u>\$ 6,469,841</u>

**5. CONTRACTUAL COMMITMENTS**

The District has started construction of new K-12 buildings in accordance with the Ohio Classroom Facilities Project. The District had the following outstanding commitments at June 30, 2004:

Project	Contractual Commitments	Spent to Date	Remaining Commitments
Ohio Classroom Facilities	<u>\$ 12,585,652</u>	<u>\$ 10,924,151</u>	<u>\$ 1,661,501</u>

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 6 - INTERFUND TRANSACTIONS**

The District had the following interfund transactions for the year ended June 30, 2004:

<u>Fund Type/Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
GENERAL	\$ -	\$ 868,829
<u>SPECIAL REVENUE FUND:</u>		
Extracurricular Activities - Athletics	9,394	-
Total Special Revenue Fund	9,394	-
<u>CAPITAL PROJECTS FUNDS:</u>		
Classroom Facilities	859,435	-
Total Capital Projects Funds	859,435	-
Total	<u>\$ 868,829</u>	<u>\$ 868,829</u>

The District had the following advances for the year ended June 30, 2004:

<u>Fund Type/Fund</u>	<u>Advance In</u>	<u>Advance Out</u>
GENERAL	\$ 9,299	\$ 36,268
<u>ENTERPRISE FUNDS:</u>		
Food Service	32,050	9,299
Uniform School Supplies	4,218	-
Total Enterprise Fund	36,268	9,299
Total	<u>\$ 45,567</u>	<u>\$ 45,567</u>

The above transfers were made in accordance with the Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**7. RELATED ORGANIZATION**

The Wayne Public Library is a related organization to the District. The School Board members are responsible for appointing the trustees of the Public Library; however, the School Board cannot influence the Library's operation nor does the Library represent a potential financial benefit or burden to the District. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. Once the Library determines to present a levy to the voters, including the determination of the rate and duration, the District must place the levy on the ballot. The Library may issue debt and determine its own budget. The Library did not receive any funding from the District during fiscal year 2004.

**8. PENSION AND RETIREMENT PLANS**

*A. SCHOOL EMPLOYEES RETIREMENT SYSTEM*

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$174,504, \$167,632, and \$154,819, respectively. 100% has been contributed through fiscal year 2004.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**8. PENSION AND RETIREMENT PLANS - (Continued)**

*B. STATE TEACHERS RETIREMENT SYSTEM*

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone 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, or by calling (614) 227-4090.

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

**ELMWOOD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**8. PENSION AND RETIREMENT PLANS - (Continued)**

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

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 13% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$599,335, \$599,362, and \$576,719, respectively. 100% has been contributed through fiscal year 2004.

*C. SOCIAL SECURITY TAX*

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement Systems/State Teachers Retirement System. As of June 30, 2004, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**9. POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through STRS, and to retired non-certified employees and their dependents through SERS. Benefits include hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by STRS and SERS based on authority granted by state statute. Both STRS and SERS are funded on a pay-as-you-go-basis.

**ELMWOOD LOCAL SCHOOL DISTRICT  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**9. POSTEMPLOYMENT BENEFITS - (Continued)**

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 Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$202,461 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003 (the latest information available), net health care costs paid by STRS were \$352.301 million and STRS had 108,294 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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.

For this fiscal year, employer contributions to fund health care benefits were 4.91% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$14,500. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2003 (the latest information available) were \$204.931 million and the target level was \$307.4 million. At June 30, 2003, (the latest information available) SERS had net assets available for payment of health care benefits of \$303.6 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$144,657 during the 2004 fiscal year.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**10. EMPLOYEE BENEFITS**

*A. OTHER EMPLOYEE BENEFITS*

The District provides health and major insurance for all eligible employees through Medical Mutual of Ohio. The District pays 95% of single plan and 90% of family plan. Those amounts are the same on the Tradition and for the PPO plans for the certified staff. For the Classified staff - Board pays 85% for Family and 100% for Single (for those hired before 9-1-92). For those hired after 9-1-92 for the PPO the Board pays 90% of the family and 100% of the single.

Current premium for the medical plan is:

Medical

Family Traditional - \$1,045.54  
Single Traditional - \$390.20  
Single PPO (classified) - \$294.87  
Family PPO (classified) - \$785.88  
Single PPO (certified) - \$300.27  
Family PPO (certified) - \$800.29

Dental coverage is provided through Medical Mutual of Ohio. Premiums for this coverage are the same for both the Certified and Classified staff. Board pays 100% of single and 85% for Family.

Dental - Premium cost

Family Dental - \$67.93  
Single Dental - \$24.99

Life Insurance and accidental death and dismemberment insurance to most employees are provided through National Insurance Services. Both Certified and Classified employees have \$35,000 coverage. Administrators are covered at \$40,000 and the Superintendent is covered at twice his/her salary amount. The Board pays the full premium on life insurance and accidental death and dismemberment.

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**10. EMPLOYEE BENEFITS - (Continued)**

*B. DEFERRED COMPENSATION*

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

**11. 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 ending June 30, 2004, the District contracted with various insurance companies for property and general liability insurance, including criminal, mechanical, electrical and pressure equipment, inland marine, and fleet coverage.

Settled claims have not exceeded any aforementioned commercial coverage in any of the past three years. There have been no significant reductions in amounts of insurance coverage.

The District pays the State Workers' Compensation System a premium based on a rate of \$100 salaries. This rate is calculated based on accident history and administrative costs.

**12. INSURANCE PURCHASING POOL**

Ohio School Boards Association (OSBA) Workers' Compensation Group Rating Plan

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

**13. SCHOOL FUNDING COURT DECISION**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.



**ELMWOOD LOCAL SCHOOL DISTRICT  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**13. SCHOOL FUNDING COURT DECISION - (Continued)**

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**14. INCOME TAX**

The District levies a voted tax of 1.25 percent for general operations on the income of residents and of estates. The tax was renewed on January 1, 2001, and will continue for five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State of Ohio. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the General Fund in the amount of \$1,127,355.

**15. SET-ASIDE CALCULATIONS**

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

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

	<u>Textbook Reserve</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2003	\$ (78,701)	\$ (5,269,799)
Current year set-aside requirement	172,866	172,866
Qualifying off-sets	-	(46,440)
Qualifying disbursements	<u>(140,071)</u>	<u>(199,797)</u>
Total	<u>\$ (45,906)</u>	<u>\$ (5,343,170)</u>
Balance carried forward to FY 2005	<u>\$ (45,906)</u>	<u>\$ (5,143,372)</u>

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**15. SET-ASIDE CALCULATIONS - (Continued)**

The District had, for the Textbook Acquisition Reserve, additional qualifying disbursements during the year that reduced the set-aside amounts below zero. These extra amounts may be used to reduce the set-aside requirements of future years. During fiscal 2001, the District issued bonds totaling \$5,473,000 in connection with the building of the District's new K-12 building. These are qualifying offsets and thus the excess offsets are eligible to be carried forward to future years.

**16. CONTINGENCIES**

*A. GRANTS*

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2003.

*B. LITIGATION*

The District is not involved in material litigation as either plaintiff or defendant.

## **SUPPLEMENTAL DATA**

**ELMWOOD LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(E) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(E) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(C) Food Distribution	10.550	N/A	\$ -	\$ 51,505	\$ -	\$ 51,505
(A),(D) National School Lunch	10.555	050682-LL-P4-2003	24,822		24,822	
(A),(D) National School Lunch	10.555	050682-LL-P4-2004	61,762		61,762	
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<b>86,584</b>	<b>51,505</b>	<b>86,584</b>	<b>51,505</b>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	050682-C1-S1-2003	-		4,694	
Title I Grants to Local Educational Agencies	84.010	050682-C1-S1-2004	103,223		98,148	
<b>Total Title I</b>			<b>103,223</b>		<b>102,842</b>	
Migrant Education State Grant Program	84.011	050682-MG-S1-2003	50,184		61,200	
Migrant Education State Grant Program	84.011	050682-MG-S1-2004	60,200		225	
<b>Total Migrant Education</b>			<b>110,384</b>		<b>61,425</b>	
<b>Special Education Cluster:</b>						
(B) Special Education: Grants to States	84.027	050682-6B-SF-2003-P	170,433		17,971	
(B) Special Education: Grants to States	84.027	050682-6B-SF-2004	-		150,483	
<b>Total Title VI-B</b>			<b>170,433</b>		<b>168,454</b>	
(B) Special Education: Preschool Grants	84.173	050682-PG-S1-2002-P	-		600	
<b>Total Special Education Cluster</b>			<b>170,433</b>		<b>169,054</b>	
Safe and Drug-Free Schools	84.186	050682-DR-S1-2003	-		6,817	
Safe and Drug-Free Schools	84.186	050682-DR-S1-2004	5,211		5,211	
<b>Total Safe and Drug-Free Schools</b>			<b>5,211</b>		<b>12,028</b>	
State Grants for Innovative Programs	84.298	050682-C2-S1-2004	6,530		6,530	
			6,530		6,530	
Technology Literacy Challenge Fund Grants	84.318	050682-TJ-S1-2003	-		532	
Technology Literacy Challenge Fund Grants	84.318	050682-TJ-S1-2004	2,794		2,794	
<b>Total Technology Literacy Grant Funds</b>			<b>2,794</b>		<b>3,326</b>	
Title VI-R - Class Size Reduction	84.340	050682-CR-S1-2002	-		15,661	
Improving Teacher Quality	84.367	050682-TR-S1-2003	-		8,759	
Improving Teacher Quality	84.367	050682-TR-S1-2004	46,570		46,570	
<b>Total Improving Teacher Quality</b>			<b>46,570</b>		<b>55,329</b>	
<b>Total U.S. Department of Education</b>			<b>445,145</b>		<b>426,195</b>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES:</b>						
Temporary Assistance for Needy Families	93.558	N/A	2,346		2,346	
<b>Total U.S. Department of Health and Human Services</b>			<b>2,346</b>		<b>2,346</b>	
<b>Total Federal Financial Assistance</b>			<b>\$ 534,075</b>	<b>\$ 51,505</b>	<b>\$ 515,125</b>	<b>\$ 51,505</b>

- (A) Included as part of "Nutrition Grant Cluster" in determining major programs.  
 (B) Included as part of "Special Education Grant Cluster" in determining major programs.  
 (C) The Food Distribution Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.  
 (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.  
 (E) This schedule was prepared on the cash basis of accounting.

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

Board of Education  
Elmwood Local School District  
7050 Jerry City Road  
Bloomdale, Ohio 44817

We have audited the financial statements of the Elmwood Local School District, Wood County, (the “District”), as of and for the fiscal year ended June 30, 2004, and have issued our report thereon dated September 16, 2004. For the fiscal year ended June 30, 2004, the District prepared its financial report on the basis of accounting in accordance with the standards prescribed by the Auditor of State for governmental entities that are not required to prepare its annual report in accordance with accounting principles generally accepted in the United States of America, and is non-compliant with Ohio Administrative Code Section 117-2-03(B). 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-ELSD-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated September 16, 2004.

Board of Education  
Elmwood Local School District

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 reporting. 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 the management of the District in a separate letter dated September 16, 2004.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
September 16, 2004

# TRIMBLE, JULIAN & GRUBE, INC.

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## **Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133**

Board of Education  
Elmwood Local School District  
7050 Jerry City Road  
Bloomdale, Ohio 44817

### Compliance

We have audited the compliance of Elmwood Local School District, Wood County, (the “District”) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2004. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education  
Elmwood Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program 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 compliance and its operation that we consider to be material weaknesses.

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

*Trimble, Julian & Grube, Inc.*

Trimble, Julian & Grube, Inc.  
September 16, 2004



**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Program</i>	Special Education Cluster; Special Education Grants to States CFDA #84.027 and Special Education - Preschool Grants CFDA #84.173
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

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

Finding Number	2004-ELSD-001
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Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with accounting principles generally accepted in the United States of America. This basis of accounting is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The accompanying financial statements omit assets, liabilities, and fund equities, and disclosures that, while material, cannot be determined at this time. The District may be fined and various other administrative remedies may be taken against the District.

We recommend that the District file their financial report in accordance with GAAP. The District may find it beneficial to consult with an accounting firm to compile or assist them in compiling their financial statements in accordance with GAAP.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD COUNTY, OHIO**

**STATUS OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2004**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; Finding no Longer Valid</b>
2003-ELSD-001	Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America (GAAP). However, as described in Note 1, the District prepares its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State, which is a basis of accounting other than GAAP.	No	Reissued as finding 2004-ELSD-001.





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**ELMWOOD LOCAL SCHOOL DISTRICT  
WOOD 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  
DECEMBER 7, 2004**