



**Auditor of State  
Betty Montgomery**



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements – June 30, 2005:	
Government-Wide Financial Statements:	
Statement of Net Assets - June 30, 2005 .....	9
Statement of Activities - Fiscal Year Ended June 30, 2005.....	10
Fund Financial Statements:	
Balance Sheet – Governmental Funds - June 30, 2005.....	11
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Funds - June 30, 2005.....	12
Statement of Revenues, Expenditures, and Change in Fund Balances of Governmental Funds - Fiscal Year Ended June 30, 2005.....	13
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities - Fiscal Year Ended June 30, 2005.....	14
Statement of Cash Receipts, Disbursements, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund - Fiscal Year Ended June 30, 2005.....	15
Statement of Assets and Liabilities - Fiduciary Funds - June 30, 2005.....	16
Basic Financial Statements – June 30, 2004:	
Government-Wide Financial Statements:	
Statement of Net Assets - June 30, 2004 .....	17
Statement of Activities - Fiscal Year Ended June 30, 2004.....	18
Fund Financial Statements:	
Balance Sheet – Governmental Funds - June 30, 2004.....	19
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Funds - June 30, 2004.....	20
Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds - Fiscal Year Ended June 30, 2004 .....	21
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances of Governmental Funds to the Statement of Activities - Fiscal Year Ended June 30, 2004.....	22

WAYNESFILED-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

TABLE OF CONTENTS  
(Continued)

TITLE	PAGE
Statement of Revenues, Expenditures, and Changes in Fund Balance Budget (Non-GAAP Basis) and Actual - General Fund - For Fiscal Year Ended June 30, 2004.....	23
Statement of Assets and Liabilities - Fiduciary Funds - June 30, 2004.....	24
Notes to the Basic Financial Statements – June 30, 2005 and 2004 .....	25
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By <i>Governmental Auditing Standards</i> .....	55
Schedule of Findings.....	57
Schedule of Prior Audit Findings.....	60



## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waynesfield-Goshen Local School District, Auglaize County, (the "District"), as of and for the fiscal years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2005 and 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the fiscal year ended June 30, 2004, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Betty Montgomery**  
Auditor of State

April 5, 2006

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)**

The discussion and analysis of Waynesfield-Goshen Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2005 and 2004 are as follows:

- During 2005, General revenues accounted for \$4,886,307, or 86 percent of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services and sales accounted for \$812,275, or 14 percent of total revenues of \$5,698,582. During 2004, General revenues accounted for \$4,626,199, or 87 percent of all revenues. Program specific revenues in the form of operating grants and contributions and charges for services and sales accounted for \$678,168 or 13 percent of total revenues of \$5,318,392.
- Total program disbursements during 2005 were \$5,320,743 of which 14 percent were covered by program revenues. During 2004, 13 percent of the total disbursements of \$5,354,558 were offset by program revenues.
- In total, net assets increased \$377,839 for 2005. During 2004 net assets decreased (\$36,166).

During 2005, the District's major funds included the General Fund and the Permanent Improvement Capital Projects Fund. The General Fund had \$4,749,539 in revenues and \$4,590,257 in expenditures. The General Fund's balance increased \$159,282 from the prior fiscal year. The Permanent Improvement Capital Projects Fund had \$247,097 in revenues and \$87,331 in expenditures. The Permanent Improvement Capital Projects Fund's balance increased \$159,766 from the prior fiscal year.

During 2004, the District's major fund was the General Fund. The General Fund had \$4,457,968 in revenues and \$4,507,869 in expenditures. The General Fund's balance decreased \$49,901 from the prior fiscal year.

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

**Using this Annual Report**

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of the Waynesfield-Goshen Local School District, the general fund is the most significant fund.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Reporting the District as a Whole**

**Statement of Net Assets and Statement of Activities**

The statement of net assets and the statement of activities reflect how the District did financially during fiscal year 2005 and 2004. These statements include all assets and liabilities using the accrual basis of accounting similar to which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

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

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

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

**Reporting the District's Most Significant Funds**

**Fund Financial Statements**

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. During 2005, the District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. During 2004, the General Fund was the District's major governmental fund. While the District uses many funds to account for its financial transactions, the General Fund is the most significant.

**Governmental Funds** - Most of the District's activities are reported in the governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

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



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**The District as a Whole**

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to fiscal year 2004. A comparative analysis is not provided between 2004 and 2003 because 2004 was the first year for government-wide financial statements.

**Table 1  
Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b>Assets:</b>		
Current and Other Assets	\$4,602,654	\$4,290,914
Capital Assets, Net	4,399,782	4,436,928
Total Assets	<u>9,002,436</u>	<u>8,727,842</u>
<b>Liabilities:</b>		
Current and Other Liabilities	1,481,510	1,524,392
Long-Term Liabilities	810,489	870,852
Total Liabilities	<u>2,291,999</u>	<u>2,395,244</u>
<b>Net Assets:</b>		
Invested in Capital Assets, Net of Related Debt	3,799,782	3,776,928
Restricted for:		
Debt Service	109,514	103,425
Capital Outlay	205,114	45,379
Set-asides	29,074	15,636
Other Purposes	155,032	137,505
Unrestricted	<u>2,411,921</u>	<u>2,253,723</u>
Total	<u><u>\$6,710,437</u></u>	<u><u>\$6,332,598</u></u>

Current assets increase was due to the increase in property taxes and intergovernmental revenues. The decrease in liabilities was due to the payment of long-term obligations.

Table 2 reflects the changes in net assets for fiscal year 2005 compared to fiscal year 2004. A comparative analysis is not provided between 2004 and 2003 because 2004 was the first year for government-wide financial statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Table 2  
Change in Net Assets  
Governmental Activities**

	<b>2005</b>	<b>2004</b>
<b>Revenues:</b>		
Program Revenues:		
Charges for Services and Sales	\$437,213	\$357,768
Operating Grants, Contributions and Interest	375,062	320,400
Capital Grants and Contributions		14,025
Total Program Revenues	<u>812,275</u>	<u>692,193</u>
General Revenues:		
Property Taxes	1,001,561	980,349
Income Taxes	438,957	416,610
Grants and Entitlements	3,311,774	3,098,112
Interest	65,003	26,310
Gifts and Donations	56,220	28,257
Miscellaneous	12,792	76,561
Total General Revenues	<u>4,886,307</u>	<u>4,626,199</u>
Total Revenues	<u>5,698,582</u>	<u>5,318,392</u>
<b>Expenses:</b>		
Instruction	3,018,848	3,067,950
Support Services:		
Pupils	207,586	208,494
Instructional Staff	238,666	236,845
Board of Education	17,115	8,457
Administration	498,386	470,655
Fiscal	158,352	162,124
Business	557	1,100
Operation and Maintenance of Plant	529,596	419,368
Pupil Transportation	221,056	178,618
Central	13,101	3,463
Non-Instructional	205,359	182,725
Extracurricular Activities	168,902	367,703
Interest and Fiscal Charges	43,219	47,056
Total Expenses	<u>5,320,743</u>	<u>5,354,558</u>
Increase in Net Assets	<u>\$377,839</u>	<u>(\$36,166)</u>

The increase in revenue between 2004 and 2005 was attributed to increases in total property taxes, income taxes and intergovernmental revenues. The decrease in expenses was insignificant.

**Governmental Activities**

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Table 3  
Governmental Activities**

	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
<b>Instruction</b>	\$3,018,848	\$2,590,421	\$3,067,950	\$2,694,579
Support Services:				
Pupils	207,586	195,560	208,494	190,298
Instructional Staff	238,666	166,054	236,845	188,477
Board of Education	17,115	17,115	8,457	8,457
Administration	498,386	493,386	470,655	465,655
Fiscal	158,352	152,352	162,124	158,464
Business	557	557	1,100	1,100
Operation and Maintenance of Plant	529,596	498,368	419,368	419,368
Pupil Transportation	221,056	221,056	178,618	178,618
Central	13,101	13,101	3,463	3,463
Non-Instructional	205,359	6,827	182,725	9,675
Extracurricular Activities	168,902	36,190	367,703	297,155
Interest and Fiscal Charges	43,219	43,219	47,056	47,056
<b>Total Expenses</b>	<u>\$5,320,743</u>	<u>\$4,508,468</u>	<u>\$5,354,558</u>	<u>\$4,662,365</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. During 2005, approximately 86 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is approximately 85 percent. The remaining 15 percent is derived from charges for services and fees and specific grants. During 2004, approximately 88 percent of instruction activities is supported through taxes and other general revenues. For all governmental activities, support from general revenues is approximately 87 percent. The remaining 13 percent is derived from charges for services and fees and specific grants.

**The District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. During 2005, the District's major governmental funds are the General Fund and the Permanent Improvement Capital Projects Fund. Total governmental funds had revenues of \$5,669,213 and expenditures of \$5,343,960. The net positive change of \$355,253 in fund balance for the year indicates that the District was able to meet current costs. During 2004, the District's major governmental fund is the General Fund. Total governmental funds had revenues of \$5,303,729 and expenditures of \$5,383,999. The net negative change of (\$80,270) in fund balance for the year indicates that the District was not able to meet current costs.

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal years 2005 and 2004, the District amended its General Fund budget as needed.

During 2005, final estimated revenues were \$4,726,610 which was less than actual receipts of \$4,729,025. Final expenditures were budgeted at \$4,648,050 while actual expenditures were \$4,648,052. The \$80,973 difference in expenditures is primarily due to a conservative "worst case scenario" approach. During 2004, final estimated revenues were \$4,600,384 which was less than actual receipts of \$4,517,111. Final expenditures were budgeted at \$4,613,999 while actual expenditures were \$4,530,298. The \$83,701 difference in expenditures is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(UNAUDITED)  
(Continued)**

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal years 2005 and 2004, the District had \$4,399,782 and \$4,436,928, respectively, invested in capital assets (net of accumulated depreciation) for governmental activities.

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

**Debt**

At June 30, 2005, the District had \$600,000 in school improvement general obligation bonds for building improvements. The first bond issue was issued during 1989 and will mature December 1, 2012. The second bond issue was issued during 1995 and will mature December 1, 2018. The bonds are being retired through the Bond Retirement Debt Service Fund.

At June 30, 2005, the District's overall legal debt margin was \$2,775,149, with an un-voted debt margin of \$37,502.

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

**Current Issues**

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

The District is currently operating in the first year of the state biennium budget. 37 percent of District revenue sources are from local funds, 59 percent is from state funds and the remaining 4 percent is from federal funds. The total expenditure per pupil was calculated at \$7,539.

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

**Contacting the District's Financial Management**

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,432,112
Materials and Supplies Inventory	2,344
Accrued Interest Receivable	2,092
Accounts Receivable	562
Intergovernmental Receivable	14,272
Taxes Receivable	973,446
Income Taxes Receivable	177,826
Non-Depreciable Capital Assets	183,093
Depreciable Capital Assets, net	4,216,689
 Total Assets	 9,002,436
<b>Liabilities:</b>	
Accounts Payable	51,630
Accrued Wages and Benefits	429,425
Intergovernmental Payable	109,184
Matured Compensated Absences Payable	23,044
Deferred Revenue	868,227
Long-Term Liabilities:	
Due Within One Year	60,000
Due in More Than One Year	750,489
 Total Liabilities	 2,291,999
<b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,799,782
Restricted for Debt Service	109,514
Restricted for Capital Outlay	205,114
Restricted for Setasides	29,074
Restricted for Other Purposes	155,032
Unrestricted	2,411,921
 Total Net Assets	 \$6,710,437

*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Revenues		Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>				
Instruction:				
Regular	\$2,370,813	\$216,106	\$121,627	(\$2,033,080)
Special	264,782		90,694	(174,088)
Vocational	133,084			(133,084)
Other	250,169			(250,169)
Support Services:				
Pupils	207,586		12,026	(195,560)
Instructional Staff	238,666		72,612	(166,054)
Board of Education	17,115			(17,115)
Administration	498,386		5,000	(493,386)
Fiscal	158,352		6,000	(152,352)
Business	557			(557)
Operation and Maintenance of Plant	529,596			(529,596)
Pupil Transportation	221,056			(221,056)
Central	13,101			(13,101)
Operation of Non-Instructional Services	205,359	131,429	67,103	(6,827)
Extracurricular Activities	168,902	89,678		(79,224)
Debt Service:				
Interest and Fiscal Charges	43,219			(43,219)
Total Governmental Activities	<u>\$5,320,743</u>	<u>\$437,213</u>	<u>\$375,062</u>	<u>(4,508,468)</u>
<b>General Revenues:</b>				
Taxes:				
Property Taxes, Levied for General Purposes			718,379	
Property Taxes, Levied for Capital Outlay			167,411	
Property Taxes, Levied for Debt Service			99,085	
Property Taxes, Levied for Classroom Facilities			16,686	
Income Taxes			438,957	
Grants and Entitlements not Restricted to Specific Programs			3,311,774	
Gifts and Donations			56,220	
Investment Earnings			65,003	
Miscellaneous			12,792	
Total General Revenues			<u>4,886,307</u>	
Change in Net Assets			377,839	
Net Assets Beginning of Year			<u>6,332,598</u>	
Net Assets End of Year			<u>\$6,710,437</u>	

See Accompanying Notes to the Basic Financial Statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<b>General Fund</b>	<b>Permanent Improvement Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,929,576	\$192,272	\$281,190	\$3,403,038
Materials and Supplies Inventory			2,344	2,344
Accrued Interest Receivable	2,092			2,092
Accounts Receivable	120		442	562
Intergovernmental Receivable			14,272	14,272
Taxes Receivable	699,168	162,074	112,204	973,446
Income Taxes Receivable	177,826			177,826
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	29,074			29,074
<b>Total Assets</b>	<b>3,837,856</b>	<b>354,346</b>	<b>410,452</b>	<b>4,602,654</b>
<b>Liabilities:</b>				
Accounts Payable	40,512	5,000	6,118	51,630
Accrued Wages and Benefits	394,837		34,588	429,425
Intergovernmental Payable	100,105		9,079	109,184
Matured Compensated Absences Payable	23,044			23,044
Deferred Revenue	667,992	147,457	102,152	917,601
<b>Total Liabilities</b>	<b>1,226,490</b>	<b>152,457</b>	<b>151,937</b>	<b>1,530,884</b>
<b>Fund Balances:</b>				
Reserved for Encumbrances	44,631	8,285	25,547	78,463
Reserved for Property Taxes	60,773	14,617	10,052	85,442
Reserved for Textbooks and Instruction Materials	29,074			29,074
Unreserved, Undesignated, Reported in:				
General Fund	2,476,888			2,476,888
Special Revenue Funds			122,770	122,770
Debt Service Funds			98,947	98,947
Capital Projects Funds		178,987	1,199	180,186
<b>Total Fund Balances</b>	<b>2,611,366</b>	<b>201,889</b>	<b>258,515</b>	<b>3,071,770</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,837,856</b>	<b>\$354,346</b>	<b>\$410,452</b>	<b>\$4,602,654</b>

See Accompanying Notes to the Basic Financial Statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2005**

Total Governmental Fund Balances		\$3,071,770
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		4,399,782
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		49,374
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(\$600,000)	
Compensated Absences Payable	(210,489)	
		<u>(810,489)</u>
Net Assets of Governmental Activities		<u><u>\$6,710,437</u></u>

*See Accompanying Notes to the Basic Financial Statements.*



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$720,443	\$167,442	\$115,966	\$1,003,851
Income Tax	437,298			437,298
Intergovernmental	3,315,432	20,835	350,569	3,686,836
Interest	61,491	2,600	912	65,003
Tuition and Fees	201,203		14,023	215,226
Rent	880			880
Extracurricular Activities			89,678	89,678
Gifts and Donations		56,220		56,220
Customer Sales and Services			131,429	131,429
Miscellaneous	12,792			12,792
<b>Total Revenues</b>	<u>4,749,539</u>	<u>247,097</u>	<u>702,577</u>	<u>5,699,213</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,137,530		115,787	2,253,317
Special	171,953		91,354	263,307
Vocational	132,352			132,352
Other	250,169			250,169
Support Services:				
Pupils	184,281		11,007	195,288
Instructional Staff	188,895		61,012	249,907
Board of Education	17,115			17,115
Administration	492,453		5,000	497,453
Fiscal	146,265	3,586	8,501	158,352
Business	557			557
Operation and Maintenance of Plant	488,382		2,409	490,791
Pupil Transportation	233,602	9,483		243,085
Central	13,101			13,101
Operation of Non-Instructional Services			172,713	172,713
Extracurricular Activities	133,602		95,370	228,972
Capital Outlay		74,262		74,262
Debt Service:				
Principal			60,000	60,000
Interest			43,219	43,219
<b>Total Expenditures</b>	<u>4,590,257</u>	<u>87,331</u>	<u>666,372</u>	<u>5,343,960</u>
Excess of Revenues Over Expenditures	159,282	159,766	36,205	355,253
Fund Balances at Beginning of Year (Restated - Note 3)	<u>2,452,084</u>	<u>42,123</u>	<u>222,310</u>	<u>2,716,517</u>
Fund Balance at End of Year	<u>\$2,611,366</u>	<u>\$201,889</u>	<u>\$258,515</u>	<u>\$3,071,770</u>

See Accompanying Notes to the Basic Financial Statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$355,253

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay	\$165,360	
Depreciation	<u>(158,728)</u>	
		6,632

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital asset is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(43,778)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Income Taxes	1,659	
Delinquent Property Taxes	<u>(2,290)</u>	
		(631)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

60,000

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Compensated Absences Payable	<u>363</u>	
		<u>363</u>

Change in Net Assets of Governmental Activities		<u><u>\$377,839</u></u>
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*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$717,950	\$717,950	\$714,573	(\$3,377)
Income Tax	409,650	409,650	418,876	9,226
Intergovernmental	3,347,670	3,321,277	3,315,432	(5,845)
Interest	49,850	49,850	59,630	9,780
Tuition and Fees	199,426	199,426	201,083	1,657
Rent	1,000	1,000	880	(120)
Miscellaneous	17,000	19,050	9,114	(9,936)
<b>Total Revenues</b>	<u>4,742,546</u>	<u>4,718,203</u>	<u>4,719,588</u>	<u>1,385</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,012,753	2,149,830	2,149,832	(2)
Special	259,427	173,238	173,238	
Vocational	154,743	165,884	165,884	
Other	161,020	250,169	250,169	
Support Services:				
Pupils	188,321	184,809	184,809	
Instructional Staff	164,341	186,734	186,734	
Board of Education	8,457	17,115	17,115	
Administration	462,925	503,323	503,323	
Fiscal	159,426	140,562	140,562	
Business	1,100	557	557	
Operation and Maintenance of Plant	467,514	477,670	477,670	
Pupil Transportation	198,386	247,894	247,894	
Central	3,463	13,101	13,101	
Operation of Non-Instructional Services	3,200			
Extracurricular Activities	110,965	132,164	132,164	
<b>Total Expenditures</b>	<u>4,356,041</u>	<u>4,643,050</u>	<u>4,643,052</u>	<u>(2)</u>
<b>Excess of Revenues Over Expenditures</b>	<u>386,505</u>	<u>75,153</u>	<u>76,536</u>	<u>1,383</u>
<b>Other Financing Sources and Uses:</b>				
Refund of Prior Year Expenditures	1,580	3,407	4,437	1,030
Advances In		5,000	5,000	
Transfers Out	(62,022)			
Advances Out	(30,000)	(5,000)	(5,000)	
<b>Total Other Financing Sources and Uses</b>	<u>(90,442)</u>	<u>3,407</u>	<u>4,437</u>	<u>1,030</u>
<b>Change in Fund Balance</b>	296,063	78,560	80,973	2,413
Fund Balance at Beginning of Year	2,762,486	2,762,486	2,762,486	
Prior Year Encumbrances Appropriated	36,904	36,904	36,904	
<b>Fund Balance at End of Year</b>	<u>\$3,095,453</u>	<u>\$2,877,950</u>	<u>\$2,880,363</u>	<u>\$2,413</u>

See Accompanying Notes to the Basic Financial Statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2005

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$31,649</u></u>
<b>Liabilities:</b>	
Undistributed Monies	<u><u>\$31,649</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS  
JUNE 30, 2004**

	<u><b>Governmental Activities</b></u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	\$3,171,544
Materials and Supplies Inventory	4,427
Accrued Interest Receivable	231
Accounts Receivable	759
Intergovernmental Receivable	864
Taxes Receivable	955,344
Income Taxes Receivable	157,745
Non-Depreciable Capital Assets	183,093
Depreciable Capital Assets, net	<u>4,253,835</u>
 Total Assets	 <u>8,727,842</u>
 <b>Liabilities:</b>	
Accounts Payable	90,476
Accrued Wages and Benefits	421,302
Intergovernmental Payable	139,665
Matured Compensated Absences Payable	17,289
Deferred Revenue	855,660
Long-Term Liabilities:	
Due Within One Year	60,000
Due in More Than One Year	<u>810,852</u>
 Total Liabilities	 <u>2,395,244</u>
 <b>Net Assets:</b>	
Invested in Capital Assets, Net of Related Debt	3,776,928
Restricted for Debt Service	103,425
Restricted for Capital Outlay	45,379
Restricted for Setasides	15,636
Restricted for Other Purposes	137,507
Unrestricted	<u>2,253,723</u>
 Total Net Assets	 <u><u>\$6,332,598</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Program Revenues			Net(Expense) Revenue and Changes in Net Assets	
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
Instruction:					
Regular	\$2,391,017	\$163,849	\$91,783	\$14,025	(\$2,121,360)
Special	369,006		103,714		(265,292)
Vocational	146,907				(146,907)
Other	161,020				(161,020)
Support Services:					
Pupils	208,494		18,196		(190,298)
Instructional Staff	236,845		48,368		(188,477)
Board of Education	8,457				(8,457)
Administration	470,655		5,000		(465,655)
Fiscal	162,124		3,660		(158,464)
Business	1,100				(1,100)
Operation and Maintenance of Plant	419,368				(419,368)
Pupil Transportation	178,618				(178,618)
Central	3,463				(3,463)
Operation of Non-Instructional Services	182,725	123,371	49,679		(9,675)
Extracurricular Activities	367,703	70,548			(297,155)
Debt Service:					
Interest and Fiscal Charges	47,056				(47,056)
<b>Total Governmental Activities</b>	<b>\$5,354,558</b>	<b>\$357,768</b>	<b>\$320,400</b>	<b>\$14,025</b>	<b>(4,662,365)</b>
<b>General Revenues:</b>					
Taxes:					
Property Taxes, Levied for General Purposes					749,504
Property Taxes, Levied for Capital Outlay					118,351
Property Taxes, Levied for Debt Service					96,297
Property Taxes, Levied for Classroom Facilities					16,197
Income Taxes					416,610
Grants and Entitlements not Restricted to Specific Programs					3,098,112
Gifts and Donations					28,257
Investment Earnings					26,310
Miscellaneous					76,561
<b>Total General Revenues</b>					<b>4,626,199</b>
Change in Net Assets					(36,166)
Net Assets Beginning of Year (Restated)					6,368,764
Net Assets End of Year					\$6,332,598

See Accompanying Notes to the Basic Financial Statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004**

	<b>General Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$2,783,990	\$371,918	\$3,155,908
Materials and Supplies Inventory		4,427	4,427
Accrued Interest Receivable	231		231
Accounts Receivable	759		759
Intergovernmental Receivable		864	864
Taxes Receivable	748,953	206,391	955,344
Income Taxes Receivable	157,745		157,745
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	15,636		15,636
<b>Total Assets</b>	<b>3,707,314</b>	<b>583,600</b>	<b>4,290,914</b>
<b>Liabilities:</b>			
Accounts Payable	3,320	87,156	90,476
Accrued Wages and Benefits	393,934	27,368	421,302
Intergovernmental Payable	69,124	4,772	73,896
Matured Compensated Absences Payable	17,289		17,289
Deferred Revenue	721,988	183,677	905,665
<b>Total Liabilities</b>	<b>1,205,655</b>	<b>302,973</b>	<b>1,508,628</b>
<b>Fund Balances:</b>			
Reserved for Encumbrances	35,095	13,722	48,817
Reserved for Property Taxes	54,903	22,714	77,617
Reserved for Budget Stabilization	15,636		15,636
Unreserved, Undesignated, Reported in:			
General Fund	2,396,025		2,396,025
Special Revenue Funds		120,974	120,974
Debt Service Funds		93,390	93,390
Capital Projects Funds		29,827	29,827
<b>Total Fund Balances</b>	<b>2,501,659</b>	<b>280,627</b>	<b>2,782,286</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,707,314</b>	<b>\$583,600</b>	<b>\$4,290,914</b>

*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BLANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004**

Total Governmental Fund Balances		\$2,782,286
Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		4,436,928
Taxes Receivable that do not provide financial resources are not reported as revenues in governmental fund.		50,005
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(65,769)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(\$660,000)	
Compensated Absences Payable	(210,852)	
	<u>                    </u>	<u>(870,852)</u>
Net Assets of Governmental Activities		<u><u>\$6,332,598</u></u>

*See Accompanying Notes to the Basic Financial Statements.*



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
Property and Other Local Taxes	\$754,133	\$229,003	\$983,136
Income Tax	388,672		388,672
Intergovernmental	3,116,977	326,048	3,443,025
Interest	25,491	819	26,310
Tuition and Fees	148,011	15,838	163,849
Extracurricular Activities		70,548	70,548
Gifts and Donations		28,257	28,257
Customer Sales and Services		123,371	123,371
Miscellaneous	24,684	51,877	76,561
	<u>4,457,968</u>	<u>845,761</u>	<u>5,303,729</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	2,146,745	101,610	2,248,355
Special	268,623	105,767	374,390
Vocational	146,512	366	146,878
Other	161,020		161,020
Support Services:			
Pupils	197,991	14,533	212,524
Instructional Staff	160,648	67,186	227,834
Board of Education	8,457		8,457
Administration	477,880	5,000	482,880
Fiscal	155,001	13,018	168,019
Business	1,100		1,100
Operation and Maintenance of Plant	459,905	945	460,850
Pupil Transportation	204,322		204,322
Central	3,463		3,463
Operation of Non-Instructional Services	3,200	165,012	168,212
Extracurricular Activities	112,702	71,610	184,312
Capital Outlay	300	229,027	229,327
Debt Service:			
Principal		55,000	55,000
Interest		47,056	47,056
	<u>4,507,869</u>	<u>876,130</u>	<u>5,383,999</u>
Revenues (Under) Expenditures	(49,901)	(30,369)	(80,270)
Fund Balances at Beginning of Year (Restated - Note 3)	<u>2,551,560</u>	<u>310,996</u>	<u>2,862,556</u>
Fund Balances at End of Year	<u><u>\$2,501,659</u></u>	<u><u>\$280,627</u></u>	<u><u>\$2,782,286</u></u>

See Accompanying Notes to the Basic Financial Statements.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Net Change in Fund Balances - Total Governmental Funds (\$80,270)

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

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay	\$166,862	
Depreciation	(145,608)	
	21,254	21,254

The proceeds from the sale of capital assets are reported as revenue in the governmental funds. However, the cost of the capital asset is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets		(3,198)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.

Intergovernmental	(10,488)	
Income Taxes	27,938	
Delinquent Property Taxes	(2,787)	
	14,663	14,663

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

55,000

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds.

Intergovernmental Payable	(32,464)	
Compensated Absences Payable	(11,151)	
	(43,615)	(43,615)

Change in Net Assets of Governmental Activities		(\$36,166)
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*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOLDISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Revenues:</b>				
Property and Other Local Taxes	\$758,402	\$759,621	\$751,495	(\$8,126)
Income Tax	430,000	428,902	420,887	(8,015)
Intergovernmental	3,092,180	3,117,501	3,116,977	(524)
Interest	45,000	23,000	25,816	2,816
Tuition and Fees	151,494	152,338	148,011	(4,327)
Miscellaneous	15,000	22,000	21,942	(58)
<b>Total Revenues</b>	<u>4,492,076</u>	<u>4,503,362</u>	<u>4,485,128</u>	<u>(18,234)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	2,137,965	2,105,205	2,103,146	2,059
Special	245,393	263,387	263,212	175
Vocational	147,336	163,192	159,621	3,571
Other	102,119	161,026	161,020	6
Support Services:				
Pupils	214,959	196,904	196,375	529
Instructional Staff	180,358	172,209	173,223	(1,014)
Board of Education	8,161	8,529	8,457	72
Administration	490,252	482,144	478,591	3,553
Fiscal	171,342	177,434	170,330	7,104
Business	548	1,100	1,100	
Operation and Maintenance of Plant	460,664	471,688	468,746	2,942
Pupil Transportation	221,312	200,477	198,386	2,091
Central		3,463	3,463	
Operation of Non-Instructional Services	3,200	3,200	3,200	
Extracurricular Activities	126,117	111,582	111,128	454
Capital Outlay	500	437	300	137
<b>Total Expenditures</b>	<u>4,510,226</u>	<u>4,521,977</u>	<u>4,500,298</u>	<u>21,679</u>
Revenues (Under) Expenditures	<u>(18,150)</u>	<u>(18,615)</u>	<u>(15,170)</u>	<u>3,445</u>
<b>Other Financing Sources and Uses:</b>				
Transfers In		62,022		(62,022)
Refund of Prior Year Expenditures	8,000	5,000	1,983	(3,017)
Advances In	30,000	30,000	30,000	
Transfers Out		(62,022)		62,022
Advances Out	(60,000)	(30,000)	(30,000)	
<b>Total Other Financing Sources and Uses</b>	<u>(22,000)</u>	<u>5,000</u>	<u>1,983</u>	<u>(3,017)</u>
Change in Fund Balances	(40,150)	(13,615)	(13,187)	428
Fund Balance at Beginning of Year	2,719,301	2,719,301	2,719,301	
Prior Year Encumbrances Appropriated	56,372	56,372	56,372	
<b>Fund Balance at End of Year</b>	<u>\$2,735,523</u>	<u>\$2,762,058</u>	<u>\$2,762,486</u>	<u>\$428</u>

See Accompanying Notes to the Basic Financial Statements.

WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<u>Agency</u>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u><u>\$31,418</u></u>
<b>Liabilities:</b>	
Due to Students	<u><u>\$31,418</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

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

During fiscal year 2005, the District was staffed by 31 non-certified employees and 53 certified teaching personnel who provided services to 596 students and other community members. During fiscal year 2004, the District was staffed by 31 non-certified employees and 52 certified teaching personnel who provided services to 589 students and other community members. The District currently operates an instructional building and an administration building.

**The Reporting Entity**

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

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

The District is associated with six jointly governed organizations and three public entity risk pools. These organizations are the Western Ohio Computer Organization (WOCO), Ohio Hi-Point Joint Vocational School, Auglaize County Local Professional Development Committee, West Central Ohio Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Council, Mercer Auglaize Employee Benefit Trust, the Ohio School Boards Association Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**1. Government-wide Financial Statements**

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

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

**2. Fund Financial Statements**

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

**B. Fund Accounting**

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

**1. Governmental Funds**

The District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund is the only major governmental fund during 2004. The General Fund and Permanent Improvement Capital Projects Fund are the District's major governmental funds during 2005:

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Permanent Improvement Fund** - The Permanent Improvement Fund is 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).

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

**2. Fiduciary Funds**

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

**C. Measurement Focus**

**1. Government-wide Financial Statements**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the Statement of Net Assets. The statement of activities presents increases (e.g. revenues) and decreases (e.g. expenses) of total net assets.

**2. Fund Financial Statements**

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

Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**D. Basis of Accounting**

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Revenues - Exchange and Non-exchange Transactions**

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

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property and income taxes, grants, entitlements, and donations. 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 year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

**2. Deferred Revenue**

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

On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Property taxes for which there is an enforceable legal claim as of June 30, 2005 and June 30, 2004, but which were levied to finance fiscal year 2006 and 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

**3. Expenses/Expenditures**

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



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process**

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

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

**1. Tax Budget:**

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

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

**2. Estimated Resources:**

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

Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal years 2005 and 2004.

**3. Appropriations:**

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

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

**4. Encumbrances:**

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

**5. Lapsing of Appropriations:**

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

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. 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 financial statements.

Investments are stated at cost, which approximates market value.

During fiscal year 2004 and 2005, investments consisted of Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and non-negotiable certificates of deposit.

As authorized by Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$61,491 which includes \$8,609 assigned from other District funds. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$25,491 which includes \$3,314 assigned from other District funds.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**G. Inventory**

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased.

**H. Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributor's grantors, or laws of other government or imposed by enabling legislation. Restricted assets include the amount required by State statute to be set aside for the acquisition of textbooks and instruction materials (2005) and budget stabilization (2004).

**I. Capital Assets**

General capital assets are those assets not specifically related to activities. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is three thousand five hundred dollars. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances. The District did not have outstanding interfund loans at year-end for 2005 and 2004.

**K. Compensated Absences**

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

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

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

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

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

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

**M. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balance Reserves and Designations**

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

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The textbook reserve represents funds set-aside by State statute to be spent on textbooks. The budget stabilization reserve represents bureau of workers compensation refunds that are restricted for specific expenditures by State statute.

**O. Interfund Assets/Liabilities**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. The District did not have transfer activity during 2005 and 2004.

**P. Estimates**

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

**Q. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2004 or 2005.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES**

**A. Changes in Accounting Principles**

For fiscal year 2004, the District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments;" GASB No. 36, "Recipient Reporting for Certain Shared Non-exchange Revenues," GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures," and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements split the District's programs between governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The District restated the fund liability of compensated absences that had not matured during fiscal year 2003.

Also, for fiscal year 2005, the District has elected to implement Governmental Accounting Standards Board (GASB) Statement No. 40, Deposit and Investment Risk Disclosures, which amends GASB Statement No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements. Implementation of GASB 40 has no impact on the District's financial position or results of operations.

**B. Restatement of Fund Balances**

For fiscal year 2004, the restatements for fund classifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and non-major funds of the District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**3. CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCES  
(Continued)**

	<u>General</u>	<u>Non-major Governmental Funds</u>	<u>Total Governmental Activities</u>
Fund Balance June 30, 2003	\$2,548,078	\$271,135	\$2,819,213
GASB Statement 34 Adjustment			
Change in Fund Structure			
Expendable Trust		9,148	9,148
Enterprise		26,604	26,604
Interpretation 6 Adjustments:			
Compensated Absences Payable	3,482	4,109	7,591
Adjusted Fund Balance	<u>\$2,551,560</u>	<u>\$310,996</u>	2,862,556
GASB 34 Adjustments:			
Deferred Revenue			35,342
Capital Assets			4,418,872
Long-Term Liabilities			(948,006)
Governmental Activities Net Assets at June 30, 2003			<u>\$6,368,764</u>

For fiscal year 2005, the District has implemented GASB Technical Bulletin No. 2004-02, *Recognition of Pension and Other Post-employment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers.* This Bulletin addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other post-employment (OPEB) plans.

The implementation of this Bulletin had the following effect on fund balance of the General fund as previously reported at June 30, 2004:

	<u>General Fund</u>	<u>Other Governmental Funds</u>
Fund Balance, June 30, 2004	\$2,501,659	\$238,504
GASB Technical Bulletin No. 2004-02	(49,575)	(16,194)
Restated Fund Balance, June 30, 2004	<u>\$2,452,084</u>	<u>\$222,310</u>

**4. BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund for 2004.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
	<b>General</b>
<b>GAAP Basis</b>	(\$49,901)
<b>Increase (Decrease) Due To:</b>	
Revenue Accruals:	
Accrued FY 2003, Received In Cash FY 2004	214,843
Accrued FY 2004, Not Yet Received in Cash	(187,683)
Expenditure Accruals:	
Accrued FY 2003, Paid in Cash FY 2004	(439,192)
Accrued FY 2004, Not Yet Paid in Cash	485,650
Encumbrances Outstanding at Year End (Budget Basis)	(36,904)
Budget Basis	(\$13,187)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund for 2005.

<b>Net Change in Fund Balance Major Governmental Fund</b>	
	<b>General</b>
<b>GAAP Basis</b>	\$159,282
<b>Increase (Decrease) Due To:</b>	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	185,700
Accrued FY 2005, Not Yet Received in Cash	(215,651)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(483,667)
Accrued FY 2005, Not Yet Paid in Cash	513,360
Encumbrances Outstanding at Year End (Budget Basis)	(78,051)
Budget Basis	\$80,973

**5. DEPOSITS AND INVESTMENTS**

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

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

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



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS**

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be market to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**A. Deposits**

At fiscal year end 2005, the carrying amount of the District's deposits was \$1,662,276. Based in the criteria described in GASB Statement 40, "Deposits and Investments Risk Disclosure," as of June 30, 2005, \$1,452,210 of the District's bank balance of \$1,721,347 was exposed to custodial risk as discussed below, while \$269,137 was covered by Federal Deposit Insurance Corporation. At fiscal year end 2004, the carrying amount of the District's deposits was \$2,203,787 and the bank balance was \$2,290,511. Of the bank balance, \$360,000 was covered by federal depository insurance and \$1,930,511 was exposed to custodial risk as discussed below.

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

As of June 30, 2005, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Note	\$401,776	12/09/05
Federal Home Loan Mortgage Corporation Note	500,000	03/09/07
Federal National Mortgage Association Note	200,534	11/29/06
Federal National Mortgage Association Note	499,175	02/27/07
Federal Home Loan Bank Note	200,000	06/16/08
Total Investments	<u>\$1,801,485</u>	

As of June 30, 2004, the District had the following investments and maturities:

	<u>Fair Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Note	500,000	03/09/07
Federal National Mortgage Association Note	499,175	02/27/07
Total Investments	<u>\$999,175</u>	

**Interest Rate Risk.** The District has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and that an investment must be purchased with the expectation that it will be held to maturity. State statute limits investments in commercial paper to a maximum maturity of 180 days from the date of purchase. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2% and be marked to market daily.

**Credit Risk.** The Federal National Mortgage Association Notes, Federal Home Loan Mortgage Corporation Notes and Federal Home Loan Bank Notes carry a rating of Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAA, by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market mutual fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service. Investments in commercial paper are limited to notes rated at the time of purchase to the highest classification established by two nationally recognized standard rating services. The District has no investment policy that would further limit its investment choices.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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

**Concentration of Credit Risk.** The District places no limit on the amount it may invest in any one issuer, however state statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. The District's investment in Federal Home Loan Mortgage Corporation Notes represents approximately 50% of the District's total investments for 2005 and 2004, respectively.

**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 years 2005 and 2004 represent the collection of calendar year 2004 and 2003 taxes, respectively. Real property taxes for 2005 and 2004 were levied after April 1, 2004, and April 1, 2003, respectively on the assessed values as of January 1, 2004, and January 1, 2003, respectively, the lien dates.

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 2005 and 2004 were levied after April 1, 2004, and April 1, 2003, respectively on the assessed values as of December 31, 2003, and December 31, 2004, respectively, the lien dates. 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 years 2005 and 2004 (other than public utility property) represent the collection of calendar year 2005 and 2004, respectively, taxes. Tangible personal property taxes for 2005 and 2004 were levied after April 1, 2004, and April 1, 2003, respectively, on the value as of December 31, 2003 and December 31, 2004, respectively. 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.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The District receives property taxes from Allen, Auglaize, and Logan Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, and June 30, 2004, are available to finance fiscal years 2005 and 2004, respectively, 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, 2005 and June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal years 2005 and 2004 operations. For the governmental fund financial statements, the receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2005, was \$60,773 in the General Fund, \$8,657 in the Debt Service Fund, \$14,617 in the Capital Projects Fund, and \$1,395 in the Special Revenue Fund. The amount available as an advance at June 30, 2004, was \$54,903 in the General Fund, \$7,958 in the Debt Service Fund, \$13,495 in the Capital Projects Fund, and \$1,261 in the Special Revenue Fund. The amount available as an advance at June 30, 2003, was \$52,265 in the General Fund, \$6,555 in the Debt Service Fund, \$2,542 in the Capital Projects Fund, and \$997 in the Special Revenue Fund.

The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second- Half Collections</b>		<b>2004 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Commercial/Industrial	\$33,542,450	92%	\$1,232,270	3%
Residential/Agricultural			33,198,530	90%
Public Utilities	1,745,580	5%	1,528,990	4%
General Personal Property	1,267,230	3%	1,066,430	3%
Total Assessed Value	<u>\$36,555,260</u>	<u>100%</u>	<u>\$37,026,220</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$44.48		\$45.60	

The assessed values upon which the fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Commercial/Industrial	\$1,232,270	3%	\$1,282,440	3%
Residential/Agricultural	33,198,530	90%	33,658,610	90%
Public Utilities	1,528,990	4%	1,472,530	4%
General Personal Property	1,066,430	3%	1,088,078	3%
Total Assessed Value	<u>\$37,026,220</u>	<u>100%</u>	<u>\$37,501,658</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.60		\$45.60	

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**7. INCOME TAX**

The District levies a voted tax of 1 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 1997, and was renewed starting January 1, 2002, by a vote of the people for an additional five years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

**8. RECEIVABLES**

Receivables at June 30, 2005 and 2004, consisted of property and income taxes, accounts (rent and student fees), intergovernmental, and accrued interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables follows for fiscal years 2005 and 2004:

	<b>2005 Amount</b>	<b>2004 Amount</b>
Governmental Activities		
Title VI-B	\$11,077	
Title I	3,195	
Miscellaneous Federal		\$864
Total Intergovernmental Receivables	\$14,272	\$864

**9. CAPITAL ASSETS**

The District restated Capital Assets (Furniture, Fixtures, and Equipment) at the beginning of the year due to a change in the capitalization threshold and due to updates that were made to the system. In addition, textbooks was removed from the capital assets listing. The changes are as follows:

Balance at June 30, 2003	\$7,324,821
Restatement	(1,025,086)
Balance, Restated	\$6,299,735

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$176,593	\$6,500		\$183,093
Total Non-depreciable Capital Assets	<u>176,593</u>	<u>6,500</u>		<u>183,093</u>
Depreciable Capital Assets				
Land Improvements	92,646	150,452		243,098
Buildings and Building Improvements	4,901,622			4,901,622
Furniture, Fixtures, and Equipment	679,737	9,910		689,647
Vehicles	449,137		31,980	417,157
Total Depreciable Capital Assets	<u>6,123,142</u>	<u>160,362</u>	<u>31,980</u>	<u>6,251,524</u>
Less Accumulated Depreciation				
Land Improvements	4,023	6,534		10,557
Buildings and Building Improvements	1,152,908	86,524		1,239,432
Furniture, Fixtures, and Equipment	378,744	36,947		415,691
Vehicles	345,188	15,603	28,782	332,009
Total Accumulated Depreciation	<u>1,880,863</u>	<u>145,608</u>	<u>28,782</u>	<u>1,997,689</u>
Depreciable Capital Assets, Net	<u>4,242,279</u>	<u>14,754</u>	<u>3,198</u>	<u>4,253,835</u>
Governmental Activities Capital Assets, Net	<u>\$4,418,872</u>	<u>\$21,254</u>	<u>\$3,198</u>	<u>\$4,436,928</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$110,634
Special	468
<b>Support Services:</b>	
Operation and Maintenance of Plant	10,094
Pupil Transportation	13,412
Non-Instructional Services	2,039
Extracurricular	8,961
Total Depreciation Expense	<u>\$145,608</u>

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**9. CAPITAL ASSETS (Continued)**

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Non-depreciable Capital Assets				
Land	\$183,093			\$183,093
Total Non-depreciable Capital Assets	<u>183,093</u>			<u>183,093</u>
Depreciable Capital Assets				
Land Improvements	243,098	\$128,481		371,579
Buildings and Building Improvements	4,901,622			4,901,622
Furniture, Fixtures, and Equipment	689,647	36,879	\$77,474	649,052
Vehicles	417,157			417,157
Total Depreciable Capital Assets	<u>6,251,524</u>	<u>165,360</u>	<u>77,474</u>	<u>6,339,410</u>
Less Accumulated Depreciation				
Land Improvements	10,557	14,521		25,078
Buildings and Building Improvements	1,239,432	86,524		1,325,956
Furniture, Fixtures, and Equipment	415,691	37,560		453,251
Vehicles	332,009	20,123	33,696	318,436
Total Accumulated Depreciation	<u>1,997,689</u>	<u>158,728</u>	<u>33,696</u>	<u>2,122,721</u>
Depreciable Capital Assets, Net	<u>4,253,835</u>	<u>6,632</u>	<u>43,778</u>	<u>4,216,689</u>
Governmental Activities Capital Assets, Net	<u>\$4,436,928</u>	<u>\$6,632</u>	<u>\$43,778</u>	<u>\$4,399,782</u>

Depreciation expense was charged to governmental functions as follows:

<b>Instruction:</b>	
Regular	\$121,745
Special	468
<b>Support Services:</b>	
Operation and Maintenance of Plant	8,839
Pupil Transportation	17,931
Non-Instructional Services	2,039
Extracurricular	7,706
Total Depreciation Expense	<u><u>\$158,728</u></u>

**10. RESTRICTED ASSETS**

The following amounts, which are reflected on the Balance Sheet – Governmental Funds at fiscal year end 2005 and 2004, are restricted for textbooks and budget stabilization, respectively.

	<u>Governmental Activities</u> 2005	<u>Governmental Activities</u> 2004
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$29,074	\$15,636

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**11. RISK MANAGEMENT**

**A. Property and Liability Insurance**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted for the following insurance coverages.

Property and fleet coverages provided by Southwestern Ohio Educational Purchasing Council Liability, Fleet and Property Program are as follows:

	<u>Maximum Deductible</u>	<u>Coverage</u>
Building and Contents – replacement cost (Includes boiler and machinery)	\$1,000/\$2,500	\$14,989,213
Commercial Auto/Business Auto	1,000	1,000,000
Musical Instruments	1,000	
Audio Visual Equipment/Radios	1,000	
Computers	1,000	
Miscellaneous Scheduled Property	1,000	

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

	<u>Maximum Deductible</u>	<u>Coverage</u>
General Liability		
Per Occurrence	n/a	\$1,000,000
Total per year	n/a	3,000,000

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

**B. Insurance Risk Pool**

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



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**11. RISK MANAGEMENT (Continued)**

**C. Workers' Compensation Group Rating Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (Program), an insurance purchasing pool. The Program's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The

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

The intent of the Program is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Program. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Program.

Each participant pays its workers' compensation premium to the State based on the rate for the Program rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Program. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund."

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

**12. DEFINED PENSION BENEFIT PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14 percent of the annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$61,131, \$49,378, and \$40,216, respectively; 36 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contributions for fiscal year 2005 are \$39,217.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS (Continued)**

**B. State Teachers Retirement System**

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

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

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

For the fiscal years ended June 30, 2005 and 2004, plan members are required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations for both fiscal years. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003 were \$289,628, \$275,938, and \$257,360, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2004 and 2003. The unpaid contribution for fiscal year 2005 is \$49,348.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**12. DEFINED PENSION BENEFIT PLANS (Continued)**

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2005, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2005 and 2004, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005 and \$3.1 billion on June 30, 2004.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000. There were 111,853 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2004, the healthcare allocation is 4.91%. At June 30, 2005, the healthcare allocation is 3.43%. 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 2004, the minimum pay has been established as \$24,500. For fiscal 2005, the minimum pay has been established as \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the District, the amount to fund health care costs, including the surcharge, were \$28,292 for 2005 and \$38,971 for 2004.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of the projected claims less premium contributions for the next fiscal year. Gross expenses for health care at June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. Net health care costs for the year ending June 30, 2005 were \$178,221,113. At June 30, 2004, the Retirement System's net assets available for payment of health care benefits were \$300.8 million. As of June 30, 2005, the value of the health care fund was 267.5 million, which is about 168% of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs.

The number of participants receiving health care benefits during 2004 and 2005 is approximately 62,000 and 58,123, respectively.

**14. COMPENSATED ABSENCES**

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

**15. LONG-TERM OBLIGATIONS**

During the year ended June 30, 2004, the following changes occurred in obligations reported in the Government –Wide Financial Statements:

	<u>Balance at July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2004</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
1995 School Improvement Bonds 5.85 – 8.25%	\$220,000		\$10,000	\$210,000	\$10,000
1989 School Improvement Bonds 7.125%	495,000		45,000	450,000	50,000
Total General Obligation Bonds	<u>715,000</u>		<u>55,000</u>	<u>660,000</u>	<u>60,000</u>
Other Long-Term Obligations:					
Compensated Absences	199,701	\$210,852	199,701	210,852	
Total Long-Term Obligations	<u>\$914,701</u>	<u>\$210,852</u>	<u>\$254,701</u>	<u>\$870,852</u>	<u>\$60,000</u>

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

During the year ended June 30, 2005, the following changes occurred in obligations reported in the Government –Wide Financial Statements:

	<u>Balance at July 1, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2005</u>	<u>Due Within One Year</u>
General Obligation Bonds:					
1995 School Improvement Bonds 5.85 – 8.25%	\$210,000		\$10,000	\$200,000	\$10,000
1989 School Improvement Bonds 7.125%	450,000		50,000	400,000	50,000
Total General Obligation Bonds	<u>660,000</u>		<u>60,000</u>	<u>600,000</u>	<u>60,000</u>
Other Long-Term Obligations:					
Compensated Absences	<u>210,852</u>	<u>\$210,489</u>	<u>210,852</u>	<u>210,489</u>	
Total Long-Term Obligations	<u>\$870,852</u>	<u>\$210,489</u>	<u>\$270,852</u>	<u>\$810,489</u>	<u>\$60,000</u>

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

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

**C. 1996 School Facilities Loan** - In fiscal year 1996, the District received \$2,309,966 for construction and improvements to its facilities under the State's "Classroom Facilities Program." Under this program the District entered into an agreement with the State of Ohio in which the State initially paid for a portion of the estimated project costs.

Generally, the District repays the State for its contribution by levying an additional property tax of one-half mill for a twenty-three year period. The District was notified by the Ohio School Facilities Commission that they would not be responsible for repaying the \$2,309,966 to the State because the District's adjusted valuation per pupil was less than the statewide median adjusted valuation per pupil. In lieu of the repayment, the District must set aside the funds that would have been used for repaying to the State for facilities maintenance. As part of the process, the District must submit a maintenance plan to the Ohio School Facilities Commission every five years until the twenty-three year period expires.

If the District's adjusted valuation per pupil increases above the statewide median adjusted valuation during the twenty-three year period, the District may become responsible for repayment of a portion of the State's contribution. Based on the District's adjusted valuation relative to the statewide median adjusted valuation, this possibility appears remote.

**D. Compensated absences**, which represent the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid.

Principal and interest requirements to retire general long-term obligations at June 30, 2005, were as follows:

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**15. LONG-TERM OBLIGATIONS (Continued)**

Year Ending June 30,	Principal	Interest	Total
2006	\$60,000	\$38,832	\$98,832
2007	60,000	34,564	94,564
2008	60,000	30,414	90,414
2009	60,000	26,259	86,259
2010	60,000	22,099	82,099
2011-2015	225,000	51,226	276,226
2016-2019	75,000	9,919	84,919
Total	<u>\$600,000</u>	<u>\$213,313</u>	<u>\$813,313</u>

**16. SET-ASIDE CALCULATIONS AND FUND RESERVES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal years 2005 and 2004, only the unspent portion of certain workers' compensation refunds is required to be set aside at fiscal year end.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization for fiscal years 2004 and 2005. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2003	(\$25,646)	(\$62,461)	\$15,636
Current Year Set-aside Requirement	82,983	82,983	
Current Year Offsets – Levy to Pay P.I. Debt		(107,338)	
Qualifying Disbursements	<u>(70,225)</u>	<u>(13,608)</u>	
Cash Balance Carried Forward to FY 2005	<u>(\$12,888)</u>	<u>(\$100,424)</u>	<u>\$15,636</u>
Reserve Balance June 30, 2004			<u>\$15,636</u>
	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside Cash Balance as of June 30, 2004	(\$12,888)	(\$100,424)	\$15,636
Current Year Set-aside Requirement	84,909	84,909	
Current Year Offsets – Levy to Pay P.I. Debt		(110,901)	
Qualifying Disbursements	<u>(42,947)</u>	<u>(20,588)</u>	<u>(15,636)</u>
Cash Balance Carried Forward to FY 2006	<u>\$29,074</u>	<u>(\$147,004)</u>	<u>\$0</u>
Reserve Balance June 30, 2005			<u>\$0</u>

During 2005 and 2004, the District qualifying disbursements greater than the set-aside requirement, however, only the excess that results from a permanent improvement levy to pay debt on capital improvements may be carried forward to subsequent years. Since the District did not have qualifying disbursements equal to the textbook set-aside in the 2005, the balance is carried forward to the subsequent year in the General Fund as reserved for textbook purchases.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS**

**A. Western Ohio Computer Organization**

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

**B. Ohio Hi-Point Joint Vocational School**

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

**C. Auglaize County Local Professional Development Committee**

The Auglaize County Local Professional Development Committee (LPDC) was established to plan, promote, and facilitate effective and efficient professional educator license renewal standards and staff development activities. The LPDC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its members. The degree of control exercised by any participating school district is limited to its representation on the governing board. Financial information can be obtained from the Auglaize County Educational Service Center, who serves as fiscal agent, 1045 Dearbaugh Avenue, Suite #2, Wapakoneta, Ohio 45895.

**D. West Central Ohio Regional Professional Development Center**

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

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

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**17. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**E. West Central Ohio Special Education Regional Resource Center**

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

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

**F. Southwestern Ohio Educational Purchasing Council (SOEPC)**

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

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

**18. PUBLIC ENTITY RISK POOLS**

**A. Mercer Auglaize Employee Benefit Trust**

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

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



**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**18. PUBLIC ENTITY RISK POOLS (Continued)**

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

The District participates in a group-rating plan for worker's compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), was established through the Ohio School Boards Association (OSBA) as an insurance purchasing pool. The GRP's business and affairs are conducted by a three-member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the GRP. Each year, the participants pay an enrollment fee to the GRP to cover the costs of administering the program.

**C. Ohio School Plan**

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

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

**19. SCHOOL FUNDING 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.

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.

**20. 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, 2005 and 2004.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004  
(Continued)**

**20. CONTINGENCIES (Continued)**

**B. Litigation**

The District is involved in a litigated matter involving uninsured/underinsured motorists benefit, There is a 70 – 75% of a chance of an unfavorable outcome with damages between \$0 to \$100,000.

**21. SUBSEQUENT EVENTS**

During November 2005, the District passed a levy for the purposes of constructing a new school. The District is required to fund 9% of the total building project and the remaining 91% of the project would be funded by the Ohio Schools Facilities Commission.

On November 21, the Board approved a resolution providing for the issuance and sale of notes of the school district, in the aggregate principal amount not to exceed \$3,750,000, in anticipation of the issuance of bonds, for the purpose of constructing, renovating, remodeling, adding to, furnishing, equipping and otherwise improving school district buildings and facilities and landscaping, improving and equipping real estate for school purposes.



## Auditor of State Betty Montgomery

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waynesfield-Goshen Local School District, Auglaize County, (the "District"), as of and for the fiscal years ended June 30, 2005 and 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 5, 2006, wherein we noted the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items, 2005-002 through 2005-004. In a separate letter to the District's management dated April 5, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated April 5, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Waynesfield-Goshen Local School District  
Auglaize County  
Independent Accountants' Report on Compliance and Internal Control  
Required by *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the management, and the Board of Education.  
It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

April 5, 2006

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation**

**Ohio Rev. Code Section 149.351(A)** states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42, of the Revised Code.

The District's Food Service Department did not maintain the daily account balance sheets that were used to show the cash balance in each student's pre-paid account. As a result, the District's Food Service Department could not support the overages and shortages in daily food service collections.

The District should implement control procedures to help assure all records are maintained until approved for disposal by the District's Records Commission.

**FINDING NUMBER 2005-002**

**Reportable Condition**

**Food Service Daily Reconciliation Variances**

The reconciliation of deposits to supporting documents, along with the explanation for variances, is a control that can be used by an entity to help assure accountability over the collection of receipts. A daily reconciliation between the food service cash register tapes and the bank deposit was performed by the Food Service Manager, however, no explanation was provided on the days when the two amounts did not reconcile. In most instances the cash register tapes showed more collected than the amount deposited. During fiscal years 2004 and 2005, the cumulative shortage was \$1,426 and \$2,182, respectively. The District's explanation for the inability to reconcile on a daily basis or explain the variances was the result of the following procedural problems: 1) students that did not have lunch money on a given day were allowed to charge a lunch and these charges were not written down; 2) students sometimes went through the line very quickly and user error could have occurred by a food service employee at one of the cash registers; 3) sales from students with pre-paid accounts may have been recorded both when the money was collected and again when the students went through the lunch line; and 4) the students daily account balance sheets which would have helped explain the variances were misplaced.

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

A control(s) should be implemented that requires all variances to be investigated and the explanation documented on the reconciliations. The Finance Committee should monitor the daily reconciliations to help assure that all variances are explained and documented on the reconciliations. Evidence of the Finance Committee's procedures should be noted in the minutes.

### FINDING NUMBER 2005-003

#### Reportable Condition

##### Athletic Ticket Revenue Accountability

Sequentially numbered tickets are used by an entity to help assure accountability over the collection of cash receipts. A record of ticket and cash accountability was prepared for each athletic event for which an admission fee was charged by the District. The ticket and cash accountability report was used to reconcile the amount of tickets sold to the amount of revenue collected for each athletic event. However, the following problems and/or weaknesses were noted with ticket accountability reports:

- The beginning and ending ticket number on the ticket accountability report were not correct, and the beginning and ending tickets were not attached to the ticket accountability reports;
- The ticket sequence did not recalculate correctly which gives the appearance that there were receipt overages or shortages;
- The mathematical accuracy of the ticket accountability reports was not correct.
- There were events in which two entrance gates were utilized, but only one roll of tickets used. As a result, at one gate individuals were charged admission to the event, but did not receive an actual ticket;
- There were events in which the Athletic Director, signed the ticket report as the ticket taker and than completed the depositing of the athletic funds;
- The District utilized two-part tickets in which one part was maintained by the District and the other part was to be given to the individual attending the event. However, for some games instead of the District giving one part of the ticket to the paying individual, this part was sold as a ticket;
- Change funds were not consistent between athletic events; and
- Athletic event deposit slips or pay-ins do not identify the specific opponent, type of athletic event, or the date of the athletic event

The failure to: 1) accurately complete the athletic ticket reports; 2) attach the beginning and ending tickets to the ticket reports; 3) issue tickets to all individuals who are charged admission; 4) have some separation of duties between selling the tickets, taking the tickets at the gate, preparation of the ticket accountability reports, and depositing of the receipts; 5) utilize a Board approve amount for the change funds; 6) require someone independent of these procedures approve the ticket accountability reports; and 7) provide detail information on the deposit slips and pay-ins, increases the risk that errors and/or irregularities could occur and not be detected by the District.

The District should implement procedures/controls and monitoring controls that require the following:

- The beginning and ending tickets for each role of tickets used at each gate should be attached to the ticket accountability report. These numbers should correspond to the ticket numbers used on the ticket accountability report to calculate the receipts;
- Tickets should be issued at all gates for events charging admission;
- Tickets should be issued to each person attending an event that charges admission;
- The individual selling the ticket and collecting the money should be separate from the individual taking the ticket from the individual entering the gate;
- One part of two-part tickets, if used, should be maintained by the District;
- Deposit slips and pay-ins should identify the opponent, type of event, and date;
- The Board should approve a specific change fund for each type of athletic event;
- Someone independent of the process should review and approve the ticket accountability reports; and
- The District's Finance Committee should monitor the collection of athletic revenues to help assure that these controls are being performed by District personnel. Evidence of the Finance Committee's procedures and results should be noted in the minutes.

## **FINDING NUMBER 2005-004**

### **Reportable Condition**

#### **Maintaining Documentation and Records for Capital Assets**

Supporting documentation should be maintained for adjustments that impact the financial reporting of an entity. The District adjusted the beginning balance of the capital asset, furniture and equipment line item, by \$750,834 for fiscal year 2004. This adjustment was made based on the following factors: 1) certain assets that were no longer in use; 2) groups of assets that had been capitalized, but individually did not meet the capitalization threshold; and 3) the capitalization threshold changed from \$500 to \$3,500. This adjustment was made by the District without any underlying supporting documentation being maintained. Although supporting documentation was not maintained, the adjusted amount and category appeared reasonable for a school district.

In addition, capital asset disposal forms were not utilized consistently and properly, capital asset addition forms were not utilized, changes to capital assets were not updated timely to the capital asset system upon assets being added or disposed of, depreciation periods per the accounting records did not always agree to the District's GAAP policy, and there are some instances in which the same asset was recorded twice, but in different asset categories.

The failure to maintain supporting documentation for adjustments to account balances could result in a material misstatement to the financial statements. Also, the failure to use proper forms and make timely updates could allow for incorrect balances and questions regarding the status of any capital asset that has been purchased or disposed of by the District.

Supporting documentation should exist and be maintained for adjustments to accounts or line items. An asset addition form should be completed for each new asset that shows the asset tag number, purchase price, type of asset, and date of purchase for each new asset. A disposal form that shows the asset tag number, original purchase price, type of asset, and date of disposal should be completed for each asset disposed of by the District. Reconciliations should be performed between the accounting system and the addition/disposal forms to help assure completeness. The depreciation periods utilized in the accounting system should be reviewed to help assure they are consistent with actual practice and the GAAP policy. The District's Finance Committee should monitor the capital asset records to help assure these controls are being performed by District personnel. Evidence of the Finance Committee's procedures and results should be noted in the minutes.

### **OFFICIALS' RESPONSE**

We did not receive a response from Officials to the findings reported above.

**WAYNESFIELD-GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED JUNE 30, 2005 AND JUNE 30, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2003-001	ORC Sec. 5705.10 – The District had negative cash fund balances.	Yes	
2003-002	Fixed Asset Accounting System should be updated	No	Repeated with modifications as finding 2005-004.





**Auditor of State  
Betty Montgomery**

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800-282-0370

Facsimile 614-466-4490

**WAYNESFIELD GOSHEN LOCAL SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 20, 2006**