



**Auditor of State  
Betty Montgomery**



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT**

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

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 the Woodmore Local School District, Sandusky County, (the District), as of and for the year ended June 30 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Woodmore Local School District, Sandusky County, Ohio, as of June 30 2004, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the 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 22, 2005, 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



**Betty Montgomery**  
Auditor of State

April 22, 2005

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

The management's discussion and analysis of the Woodmore 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, 2004. 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 the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets of governmental activities increased \$142,600 which represents a 2.75 percent increase from 2003.
- General revenues accounted for \$8,437,538 in revenue or 88 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,150,989 or 12 percent of total revenues of \$9,588,527.
- The District had \$9,445,927 in expenses related to governmental activities; \$1,150,989 of these expenses was offset by program specific charges for services, grants, or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,437,538 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$7,972,753 in revenues and other financing sources and \$7,909,759 in expenditures. During fiscal year 2004, the general fund's fund balance increased \$62,994 from \$672,757 to \$735,751.
- The debt service fund had \$520,861 in revenues and \$536,512 in expenditures. During fiscal year 2004, the debt service fund's fund balance decreased \$15,651 from \$387,985 to \$372,334.

**Using these Basic Financial Statements**

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

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

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**Reporting the District as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets, liabilities, revenues, and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change 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 Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

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

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-50 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole. This is the first year for government-wide financial statements using the full accrual basis of accounting; therefore a comparison with prior years is not available. A comparative analysis will be provided in future years when prior year information is available.

The table below provides a summary of the District's net assets for 2004.

Net Assets	Governmental Activities 2004
<b>Assets</b>	
Current and other assets	\$ 6,610,476
Capital assets, net	6,509,212
<i>Total assets</i>	<i>13,119,688</i>
<b>Liabilities</b>	
Current liabilities	4,890,908
Long-term liabilities	2,885,014
<i>Total liabilities</i>	<i>7,775,922</i>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	5,072,556
Restricted	844,782
Unrestricted (deficit)	(573,572)
<i>Total net assets</i>	<i>\$ 5,343,766</i>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$5,343,766. Of this total, \$844,782 is restricted in use.

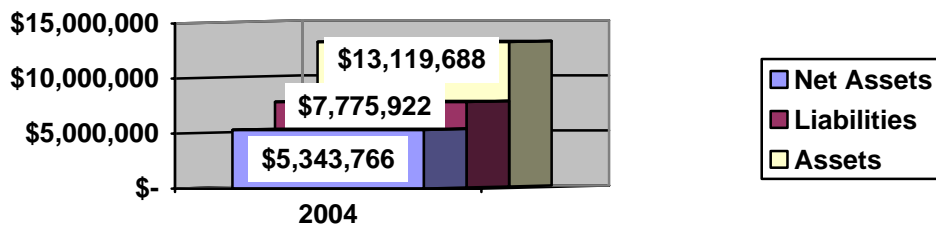
**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

At fiscal year-end, capital assets represented 49.61 percent of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$5,072,556. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$844,782, represents resources that are subject to external restriction on how they may be used.

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2004. Since this is the first year the District has prepared government-wide financial statements using the full accrual basis of accounting, revenue, and expense comparisons to fiscal year 2003 are not available. A comparative analysis will be provided in future years when prior year information is available.

Change in Net Assets	
	Governmental Activities 2004
<b>Revenues</b>	
Program revenues:	
Charges for services and sales	\$ 555,575
Operating grants and contributions	595,414
General revenues:	
Property taxes	4,419,829
Grants and entitlements	3,799,933
Payment in lieu of taxes	193,964
Investment earnings	15,638
Other	8,174
<i>Total revenues</i>	<u>9,588,527</u>

(Continued)

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Change in Net Assets (Continued)

<b>Expenses</b>	
Program expenses:	
Instruction:	
Regular	4,082,063
Special	825,090
Vocational	117,820
Other	244,448
Support services:	
Pupil	517,138
Instructional staff	320,306
Board of education	70,647
Administration	922,451
Fiscal	309,899
Operations and maintenance	783,219
Pupil transportation	367,901
Operations of non-instructional services	58,571
Extracurricular activities	361,154
Food service operations	308,813
Interest and fiscal charges	156,407
<i>Total expenses</i>	<u>9,445,927</u>
<i>Change in net assets</i>	142,600
Net assets at beginning of year (restated)	<u>5,201,166</u>
<i>Net assets at end of year</i>	<u><u>\$ 5,343,766</u></u>

**Governmental Activities**

Net assets of the District's governmental activities increased \$142,600. Total governmental expenses of \$9,445,927 were offset by program revenues of \$1,150,989 and general revenues of \$8,437,538. Program revenues supported 12 percent of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 88.00 percent of total governmental revenue.

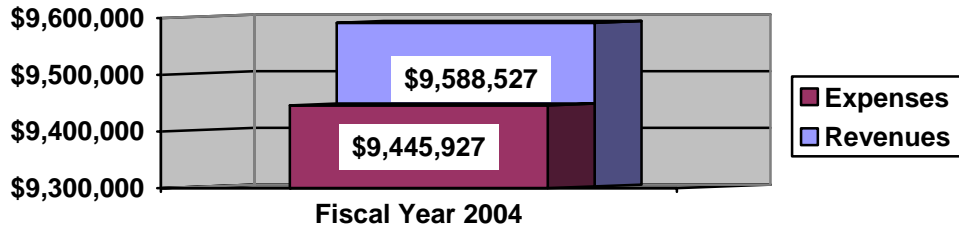
The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,269,421 or 55.79 percent of total governmental expenses for fiscal 2004.

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2004.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

Governmental Activities		
	Total Cost of Services 2004	Net Cost of Services 2004
<b>Program expenses</b>		
Instruction:		
Regular	\$ 4,082,063	\$ 3,938,482
Special	825,090	729,172
Vocational	117,820	23,658
Other	244,448	244,448
Support services:		
Pupil	517,138	437,975
Instructional staff	320,306	234,458
Board of education	70,647	70,647
Administration	922,451	863,863
Fiscal	309,899	306,435
Operations and maintenance	783,219	773,274
Pupil transportation	367,901	357,934
Operations of non-instructional services	58,571	(3,793)
Extracurricular activities	361,154	156,325
Food service operations	308,813	5,653
Interest and fiscal charges	156,407	156,407
<b>Total expenses</b>	<b>\$ 9,445,927</b>	<b>\$ 8,294,938</b>

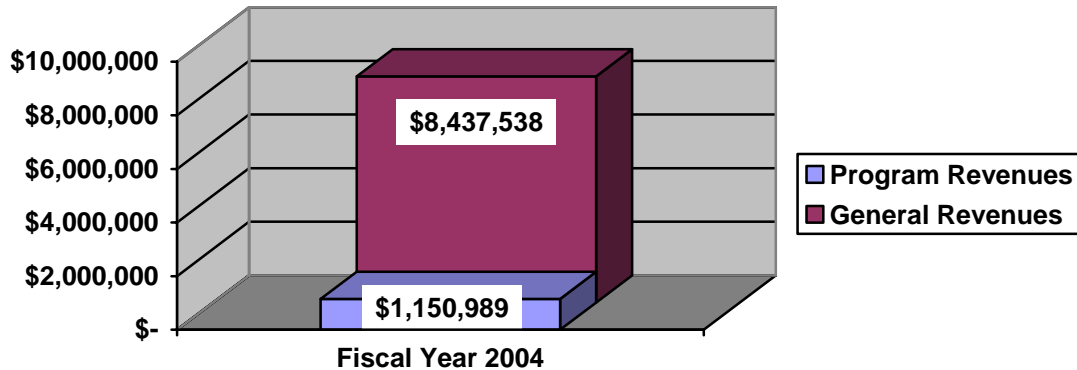
The dependence upon tax and other general revenues for governmental activities is apparent, 93.67 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.43 percent. The District's taxpayers, as a whole, are by far the primary support for District's students.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

The graph below presents the District's governmental activities revenue for fiscal year 2004.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$1,471,361, which is lower than last year's total of \$1,566,643. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	Fund Balance June 30, 2003	(Decrease)	Percentage Change
General	\$ 735,751	\$ 672,757	\$ 62,994	9.36 %
Debt Service	372,334	387,985	(15,651)	(4.03) %
Other Governmental	363,276	505,901	(142,625)	(28.19) %
<i>Total</i>	<u>\$ 1,471,361</u>	<u>\$ 1,566,643</u>	<u>\$ (95,282)</u>	<u>(22.86) %</u>

General Fund

The District's general fund balance increased \$62,994 (after a restatement to the June 30, 2003, fund balance which is detailed in Note 3.A. to the basic financial statements). On March 3, 2004, the Governor of the State of Ohio issued an executive order to reduce funding to school districts to help offset the state's fiscal year deficit. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

	2004 Amount	2003 Amount	Increase (Decrease)	Percentage Change
<b>Revenues</b>				
Taxes	\$ 3,853,910	\$ 3,846,769	\$ 7,141	0.19 %
Tuition	62,902	106,991	(44,089)	(41.21) %
Earnings on investments	15,638	26,435	(10,797)	(40.84) %
Intergovernmental	3,740,548	3,850,636	(110,088)	(2.86) %
Other revenues	278,144	232,621	45,523	19.57 %
<i>Total</i>	<u>\$ 7,951,142</u>	<u>\$ 8,063,452</u>	<u>\$ (112,310)</u>	(1.39) %
<b>Expenditures</b>				
Instruction	\$ 4,873,827	\$ 4,878,412	\$ (4,585)	(0.09) %
Support services	2,765,624	2,320,522	445,102	19.18 %
Extracurricular activities	178,800	169,363	9,437	5.57 %
Capital outlay	18,212	-	18,212	100.00 %
Debt service	73,296	65,320	7,976	12.21 %
<i>Total</i>	<u>\$ 7,909,759</u>	<u>\$ 7,433,617</u>	<u>\$ 476,142</u>	6.40 %

The decrease in tuition revenue is due to a decrease in open enrollment students. The decrease in earnings on investments can be attributed to reductions in interest rates by the Federal Reserve. The increase in support services expenditures is primarily due to increase in benefits and changes made to expenditure coding. Capital outlay increased due to the District entering into a new capital lease.

Debt Service Fund

The debt service fund had \$520,861 in revenues and \$536,512 in expenditures. During fiscal year 2004, the debt service fund's fund balance decreased \$15,651 from \$387,985 to \$372,334.

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 2004, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$8,103,710 and final budgeted revenues and other financing sources were \$8,113,849. Actual revenues and other financing sources for fiscal 2004 was \$7,956,586. This represents a \$157,263 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$8,396,278 were increased to \$8,403,485 in the final appropriations. The actual budget basis expenditures for fiscal year 2004 totaled \$8,166,264, which was \$237,221 less than the final budget appropriations.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**Capital Assets and Debt Administration**

Capital Assets

At the end of fiscal 2004, the District had \$6,509,212 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

Capital Assets at June 30 (Net of Depreciation)		
	Governmental Activities	
	2004	2003
Land	\$ 174,516	\$ 174,516
Building and improvements	5,514,376	5,579,985
Furniture and equipment	567,045	611,376
Vehicles	253,275	232,597
<i>Total</i>	\$ 6,509,212	\$ 6,598,474

The overall decrease in capital assets of \$89,262 is due to depreciation expense of \$364,309 exceeding capital outlays of \$276,445 and disposals of \$1,398 (net of accumulated depreciation) in the fiscal year.

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2004, the District had \$2,222,749 in general obligation bonds outstanding. Of this total, \$480,000 is due within one year and \$1,742,749 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt at Year End		
	Governmental Activities 2004	Governmental Activities 2003
General obligation bonds	\$ 2,222,749	\$ 2,590,210
Energy conservation notes	-	65,000
<i>Total</i>	\$ 2,222,749	\$ 2,655,210

At June 30, 2004, the District's overall legal debt margin was \$12,322,001, and an unvoted debt margin of \$147,885.

See Note 10 to the basic financial statements for additional information on the District's debt administration.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**Current Financial Related Activities**

The District is continuing to monitor its financial future in order to optimize the dollars available for educating the students it serves and to minimize any future millage amounts needed periodically from the citizens of this community.

As the preceding info shows the general fund balance was \$735,751 at fiscal year end. In August of 2004, the residents of the District showed their support by passing a 4.9 mill, 5 year operating levy. This levy will generate approximately \$711,000 per year.

The District will have the resources necessary to meet operating expenses in fiscal years 2005 and 2006, however, the Boards' current five year projections indicate that the natural budget cycle needs could possibly require additional operating income beginning fiscal year 2007.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Anne Arnold, Treasurer, Woodmore Local School District, 708 West Main Street, Woodville, Ohio 43469.



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents	\$ 1,529,771
Receivables:	
Taxes	4,618,329
Intergovernmental	431,247
Prepayments	5,819
Materials and supplies inventory	25,310
Capital assets:	
Land	174,516
Depreciable capital assets, net	6,334,696
<i>Capital assets, net</i>	6,509,212
<i>Total assets</i>	13,119,688
 <b>Liabilities:</b>	
Accounts payable	40,386
Accrued wages and benefits	699,751
Pension obligation payable	200,978
Intergovernmental payable	33,214
Deferred revenue	3,909,942
Accrued interest payable	6,637
Long-term liabilities:	
Due within one year	520,392
Due in more than one year	2,364,622
<i>Total liabilities</i>	7,775,922
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	5,072,556
Restricted for:	
Capital projects	73,688
Debt service	370,652
Other purposes	400,442
Unrestricted (deficit)	(573,572)
<i>Total net assets</i>	\$ 5,343,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY 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	Governmental Activities
<b>Governmental activities:</b>				
Instruction:				
Regular	\$ 4,082,063	\$ 138,605	\$ 4,976	\$ (3,938,482)
Special	825,090	-	95,918	(729,172)
Vocational	117,820	-	94,162	(23,658)
Other	244,448	-	-	(244,448)
Support services:				
Pupil	517,138	-	79,163	(437,975)
Instructional staff	320,306	-	85,848	(234,458)
Board of education	70,647	-	-	(70,647)
Administration	922,451	-	58,588	(863,863)
Fiscal	309,899	-	3,464	(306,435)
Operations and maintenance	783,219	-	9,945	(773,274)
Pupil transportation	367,901	-	9,967	(357,934)
Operation of non-instructional services	58,571	-	62,364	3,793
Extracurricular activities	361,154	187,386	17,443	(156,325)
Food service operations	308,813	229,584	73,576	(5,653)
Interest and fiscal charges	156,407	-	-	(156,407)
<i>Total governmental activities</i>	\$ 9,445,927	\$ 555,575	\$ 595,414	(8,294,938)

**General Revenues:**

Property taxes levied for:	
General purposes	3,844,868
Debt service	469,569
Capital projects	105,392
Grants and entitlements not restricted to specific programs	3,799,933
Payment in lieu of taxes	193,964
Investment earnings	15,638
Miscellaneous	8,174
<i>Total general revenues</i>	8,437,538
<i>Change in net assets</i>	142,600
Net assets at beginning of year (restated)	5,201,166
<i>Net assets at end of year</i>	\$ 5,343,766

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 925,946	\$ 295,944	\$ 300,578	\$ 1,522,468
Receivables:				
Taxes	4,027,631	471,234	119,464	4,618,329
Intergovernmental	-	-	431,247	431,247
Interfund receivable	61,234	-	-	61,234
Prepayments	5,819	-	-	5,819
Materials and supplies inventory	17,299	-	8,011	25,310
Advances to other funds	1,462	1,495	-	2,957
Restricted assets:				
Equity in pooled cash and cash equivalents	7,303	-	-	7,303
<b>Total assets</b>	<u><u>\$ 5,046,694</u></u>	<u><u>\$ 768,673</u></u>	<u><u>\$ 859,300</u></u>	<u><u>\$ 6,674,667</u></u>
<b>Liabilities:</b>				
Accounts payable	\$ 16,265	\$ -	\$ 24,121	\$ 40,386
Accrued wages and benefits	686,347	-	13,404	699,751
Compensated absences payable	14,121	-	-	14,121
Pension obligation payable	108,729	-	21,478	130,207
Intergovernmental payable	31,444	-	1,770	33,214
Interfund payable	-	-	61,234	61,234
Advances from other funds	1,495	-	1,462	2,957
Deferred revenue	3,452,542	396,339	372,555	4,221,436
<b>Total liabilities</b>	<u><u>4,310,943</u></u>	<u><u>396,339</u></u>	<u><u>496,024</u></u>	<u><u>5,203,306</u></u>
<b>Fund Balances:</b>				
Reserved for encumbrances	161,264	-	90,962	252,226
Reserved for materials and supplies inventory	17,299	-	8,011	25,310
Reserved for prepayments	5,819	-	-	5,819
Reserved for property tax unavailable for appropriation	575,089	74,895	9,839	659,823
Reserved for advances	1,462	1,495	-	2,957
Reserved for textbooks/instructional supplies	7,303	-	-	7,303
Unreserved, undesignated (deficit), reported in:				
General fund	(32,485)	-	-	(32,485)
Special revenue funds	-	-	82,798	82,798
Capital projects funds	-	295,944	171,666	467,610
<b>Total fund balances</b>	<u><u>735,751</u></u>	<u><u>372,334</u></u>	<u><u>363,276</u></u>	<u><u>1,471,361</u></u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 5,046,694</u></u>	<u><u>\$ 768,673</u></u>	<u><u>\$ 859,300</u></u>	<u><u>\$ 6,674,667</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

<b>Total governmental fund balances</b>		<b>\$ 1,471,361</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		6,509,212
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 48,564	
Intergovernmental revenue	<u>262,930</u>	
		311,494
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Compensated absences	(636,314)	
Pension obligation payable	(70,771)	
Capital lease obligation payable	(11,830)	
General obligation bonds payable	(2,222,749)	
Accrued interest payable	<u>(6,637)</u>	
		<u>(2,948,301)</u>
<i>Net assets of governmental activities</i>		<u><u>\$ 5,343,766</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 3,853,910	\$ 472,568	\$ 105,868	\$ 4,432,346
Tuition	62,902	-	-	62,902
Charges for services	-	-	229,584	229,584
Earnings on investments	15,638	-	-	15,638
Extracurricular	-	-	187,386	187,386
Classroom materials and fees	60,809	-	80	60,889
Other local revenues	23,371	-	17,560	40,931
Payment in lieu of taxes	193,964	-	-	193,964
Intergovernmental - State	3,740,548	48,293	116,050	3,904,891
Intergovernmental - Federal	-	-	541,442	541,442
<i>Total revenue</i>	<u>7,951,142</u>	<u>520,861</u>	<u>1,197,970</u>	<u>9,669,973</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	3,876,139	-	37,299	3,913,438
Special	637,965	-	171,439	809,404
Vocational	115,275	-	-	115,275
Other	244,448	-	-	244,448
Support services:				
Pupil	424,433	-	94,642	519,075
Instructional staff	130,818	-	122,792	253,610
Board of education	67,747	-	-	67,747
Administration	850,173	-	79,407	929,580
Fiscal	290,648	12,122	6,905	309,675
Operations and maintenance	637,977	-	264,582	902,559
Pupil transportation	363,828	-	11,508	375,336
Operation of non-instructional services	-	-	58,907	58,907
Extracurricular activities	178,800	-	175,090	353,890
Food service operations	-	-	311,407	311,407
Facilities acquisition and construction	-	-	3,218	3,218
Capital outlay	18,212	-	-	18,212
Debt service:				
Principal retirement	71,382	440,000	-	511,382
Interest and fiscal charges	1,914	84,390	-	86,304
<i>Total expenditures</i>	<u>7,909,759</u>	<u>536,512</u>	<u>1,337,196</u>	<u>9,783,467</u>
<i>Excess of revenues over (under) expenditures</i>	<u>41,383</u>	<u>(15,651)</u>	<u>(139,226)</u>	<u>(113,494)</u>
<b>Other financing sources (uses):</b>				
Proceeds from sale of capital assets	18,212	-	-	18,212
Transfers in	3,399	-	-	3,399
Transfers (out)	-	-	(3,399)	(3,399)
<i>Total other financing sources (uses)</i>	<u>21,611</u>	<u>-</u>	<u>(3,399)</u>	<u>18,212</u>
<i>Net change in fund balances</i>	<u>62,994</u>	<u>(15,651)</u>	<u>(142,625)</u>	<u>(95,282)</u>
Fund balances at beginning of year (restated)	<u>672,757</u>	<u>387,985</u>	<u>505,901</u>	<u>1,566,643</u>
<i>Fund balances at end of year</i>	<u>\$ 735,751</u>	<u>\$ 372,334</u>	<u>\$ 363,276</u>	<u>\$ 1,471,361</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**Net change in fund balances - total governmental funds** \$ (95,282)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$364,309) exceeds capital outlays (\$276,445) in the current period. (87,864)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets. (1,398)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (81,446)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 511,382

Proceeds of capital lease transaction are recorded as revenue in the funds, however on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (18,212)

Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds. (70,103)

Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (14,477)

*Change in net assets of governmental activities* \$ 142,600

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes	\$ 3,859,913	\$ 3,864,741	\$ 3,788,820	\$ (75,921)
Tuition	67,348	67,433	66,108	(1,325)
Earnings on investments	15,931	15,951	15,638	(313)
Classroom materials and fees	61,950	62,028	60,809	(1,219)
Other local revenues	22,925	22,954	23,371	417
Payment in lieu of taxes	197,603	197,851	193,964	(3,887)
Intergovernmental - State	3,809,631	3,814,397	3,740,728	(73,669)
<i>Total revenue</i>	<u>8,035,301</u>	<u>8,045,355</u>	<u>7,889,438</u>	<u>(155,917)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular	4,137,434	4,105,858	3,989,953	115,905
Special	651,930	646,955	628,692	18,263
Vocational	125,989	125,027	121,498	3,529
Other	253,484	251,549	244,448	7,101
Support services:				
Pupil	443,722	440,336	427,906	12,430
Instructional staff	147,208	146,085	141,961	4,124
Board of education	57,556	57,117	55,505	1,612
Administration	892,717	885,904	860,896	25,008
Fiscal	303,549	301,232	292,729	8,503
Operations and maintenance	743,645	737,970	717,138	20,832
Pupil transportation	384,385	381,451	370,683	10,768
Extracurricular activities	187,839	186,405	181,143	5,262
Debt service:				
Principal retirement	65,000	66,888	65,000	1,888
Interest and fiscal charges	1,820	1,873	1,820	53
<i>Total expenditures</i>	<u>8,396,278</u>	<u>8,334,650</u>	<u>8,099,372</u>	<u>235,278</u>
<i>Excess of revenues over (under) expenditures</i>	<u>(360,977)</u>	<u>(289,295)</u>	<u>(209,934)</u>	<u>79,361</u>
<b>Other financing sources (uses):</b>				
Transfers in	3,464	3,468	3,399	(69)
Advances in	64,945	65,026	63,749	(1,277)
Advances (out)	-	(68,835)	(66,892)	1,943
<i>Total other financing sources (uses)</i>	<u>68,409</u>	<u>(341)</u>	<u>256</u>	<u>597</u>
<i>Net change in fund balance</i>	<u>(292,568)</u>	<u>(289,636)</u>	<u>(209,678)</u>	<u>79,958</u>
Fund balance at beginning of year (restated).	718,504	718,504	718,504	-
Prior year encumbrances appropriated	238,969	238,969	238,969	-
<i>Fund balance at end of year</i>	<u>\$ 664,905</u>	<u>\$ 667,837</u>	<u>\$ 747,795</u>	<u>\$ 79,958</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Equity in pooled cash and cash equivalents	\$ 111,888	\$ 54,071
<i>Total assets</i>	111,888	\$ 54,071
<b>Liabilities:</b>		
Due to students	-	\$ 54,071
<i>Total liabilities</i>	-	\$ 54,071
<b>Net Assets:</b>		
Held in trust for scholarships	111,888	
<i>Total net assets</i>	\$ 111,888	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest	\$ 1,568
Gifts and contributions	18,757
<i>Total additions</i>	20,325
<b>Deductions:</b>	
Scholarships awarded	10,202
<i>Change in net assets</i>	10,123
Net assets at beginning of year	101,765
<i>Net assets at end of year</i>	\$ 111,888

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

**1. DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District was established in 1968. The District serves an area of approximately sixty-seven square miles. It is located in Sandusky and Ottawa Counties and includes all of the Village of Woodville and the Village of Elmore. The District is the 440<sup>th</sup> largest in the State of Ohio among 613 school districts in terms of enrollment. It is staffed by 39 classified employees and 88 certified teaching personnel, and twelve administrative employees who provide services to 1,190 students and other community members. The District currently operates an elementary school and a middle/high school.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "*The Financial Reporting Entity*" as amended by GASB Statement No. 39, "*Determining Whether Certain Organizations Are Component Units*". The reporting entity is composed of the primary government, component units and other organization that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool 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 organizations' government 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; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) 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. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. During FY 2004, the District paid \$25,548 to NOECA for these services. Financial information can be obtained by contacting Betty Schwiefert, who serves as Controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Inc.

The research council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During FY 2004, the District paid \$150 to the Council.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood, and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. During FY 2004, the District paid \$85,985 to BACG for these services. Financial information is available from the Erie-Huron-Ottawa County Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

Penta Career Center

The Penta Career Center (PENTA) is a distinct political subdivision of the State of Ohio which provides vocational education. Penta operates under the direction of a Board consisting of eleven members, each appointed for a term of two years, to serve the sixteen participating school districts. Six members are appointed during the even numbered years, one each from the Lucas, Ottawa, and Wood County Educational Service Centers and one each from the

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Bowling Green, Maumee, and Rossford City Board of Education. Five members are appointed during the odd numbered years, one each from the Fulton, Lucas, Sandusky, and Wood County Educational Service Centers and one from the Perrysburg City Board of Education. The degree of control exercised by the District is limited to its representation on the Board. The Board possesses its own budgeting and taxing authority. Financial information can be obtained from Carrie Herringshaw, who serves as Treasurer, 30095 Oregon Road, Perrysburg, Ohio 43551-4594.

INSURANCE PURCHASING POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

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

The San-Ott School Employees Welfare Benefit Association

The District participates in a shared risk pool, with participants from Sandusky and Ottawa counties. The Association is governed by an assembly which consists of one representative from each participant (usually the superintendent or designee). The assembly exercises control over the operation of the consortium. All consortium revenues are generated from charges for services. Financial information can be obtained by writing to San-Ott Consortium, Jay Valasek, Treasurer of Vanguard-Sentinel Career Center, at 1306 Cedar Street, Fremont, Ohio 43420.

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA's purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid \$29,020 for these services to SORSA in fiscal year 2004.

A none-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. Willis Pooling administers the pool and Fran Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

RELATED ORGANIZATION

Harris-Elmore Public Library

The Harris-Elmore Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for the repayment of debt.

Other governmental funds of the District are used to account for (a) food service operations; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUND

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private purpose trust which accounts for scholarship programs for students. Agency

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

**C. Basis of Presentation and Measurement Focus**

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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. 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 amounts paid by the recipient of 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 not classified as program revenues are presented as general revenues of the District.

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.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**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 also use the accrual basis of accounting.

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

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6).

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 nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operation, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**E. Budgets**

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2004 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing



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for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

2. By no later than January 20, the board-adopted budget is filed with the Sandusky County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations 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.
5. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

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Expenditures plus encumbrances may not legally exceed budgeted appropriations at the legal level of budgetary control.

**F. Cash and Investments**

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

During fiscal year 2004, investments were limited to State Treasury Asset Reserve of Ohio (STAR Ohio) and repurchase agreements. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

The District has invested funds in STAR Ohio during fiscal 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund and the private purpose trust funds. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$15,638, which includes \$6,844 assigned from other funds.

For presentation on the basic 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 are reported as investments.

An analysis of the District's investment account at year-end is provided in Note 4.

**G. Inventory**

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

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

**H. Capital Assets**

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

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. 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. The District does not possess infrastructure.

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

Description	Governmental Activities Estimated Lives
Land improvements	5 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years

**I. Interfund Balances**

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

**J. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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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 expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**K. 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 that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the fund financial statements when due.

**L. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, advances to other funds, textbooks/instructional supplies, and property tax revenue unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**M. Net Assets**

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

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

**N. Prepayments**

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current

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asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**O. Nonpublic Schools**

Within the boundaries of the District, Solomon Lutheran is operated through the District as a parochial school. State Legislation provides funding to this parochial school. The District receives the money and then disburses the money as directed by the parochial school. These transactions are reported in a nonmajor governmental fund of the District.

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a textbook reserve. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 16.

**R. Interfund Activity**

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

**S. Extraordinary and Special Items**

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

**3. ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles and Restatement of Fund Balance**

For fiscal year 2004, the District has implemented GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", GASB Statement No. 37, "*Basic Financial Statements for State and Local Governments: Omnibus*", GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*", GASB Statement No. 39, "*Determining Whether Certain Organizations are Component Units*", GASB Statement No. 41, "*Budgetary Comparison Schedule - Perspective Differences*", and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in*

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*Governmental Fund Financial Statements*". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes, and rescinds certain financial statement note disclosures. GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity."

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization, or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the school district not being able to present budgetary comparison for the general and each major special revenue fund.

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

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003.

The fund reclassifications and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Nonmajor	Total
Fund balance June 30, 2003	\$ 703,560	\$ 387,985	\$ 518,014	\$ 1,609,559
Fund reclassifications	-	-	(12,113)	(12,113)
Implementation of GASB Interpretation No. 6	<u>(30,803)</u>	<u>-</u>	<u>-</u>	<u>(30,803)</u>
Restated fund balance, June 30, 2003	<u>\$ 672,757</u>	<u>\$ 387,985</u>	<u>\$ 505,901</u>	<u>\$ 1,566,643</u>

The transition from governmental fund balance to net assets of the governmental activities is presented as follows:

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	Total
Restated fund balance, June 30, 2003	\$ 1,566,643
GASB 34 adjustments:	
Long-term (deferred) assets	392,940
Capital assets	6,598,474
Accrued interest payable	(9,073)
Pension obligations	(69,881)
Long-term liabilities	(3,277,937)
Governmental activities net assets, June 30, 2003	\$ 5,201,166

**B. Deficit Fund Balances**

Fund balances at June 30, 2004 included the following individual fund deficits:

	Deficit
Nonmajor Funds	
Food Service	\$ 21,316
Ohio Reads	2
Summer Intervention	1,924
Instructional Programs - Migrant Students	27,502
Title I	437

These funds complied with Ohio state law, which does not permit a cash basis deficit at fiscal year-end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances results from adjustments for accrued liabilities.

**4. EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories.

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

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

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be

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evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);

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

Cash on Hand: At fiscal year-end, the District had \$3,125 in undeposited cash on hand, which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents".



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

Deposits: At fiscal year-end, the carrying amount of the District's deposits was \$211,655 and the bank balance was \$348,564. Of the bank balance:

1. \$182,000 was covered by federal depository insurance; and
2. \$166,564 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

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

	Category 3	Reported Amount	Fair Value
Repurchase agreement	\$ 450,685	\$ 450,685	\$ 450,685
Investment in STAR Ohio		1,030,265	1,030,265
Total investments		\$ 1,480,950	\$ 1,480,950

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

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	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 1,695,730	\$ -
Investments of the cash management pool:		
Repurchase agreement	(450,685)	450,685
Investment in STAR Ohio	(1,030,265)	1,030,265
Cash on hand	(3,125)	-
GASB Statement No. 3	\$ 211,655	\$ 1,480,950

**5. INTERFUND TRANSACTIONS**

- A.** Interfund balances at June 30, 2004 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 61,234

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- B.** Loans to/from other funds at June 30, 2004 as reported on the fund statements, consisted of the following:

Receivable Fund	Payable Fund	Amount
General	Nonmajor governmental funds	\$ 1,462
Debt Service	General	1,495
<i>Total loans to/from other funds</i>		\$ 2,957

The primary purpose of the loans is to cover costs in specific funds where revenues were not received by June 30. These loans will be repaid once the anticipated revenues are received.

Loans between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2004 are reported on the statement of net assets.

- C.** Interfund transfers for the year ended June 30, 2004, consisted of the following, as reported on the fund financial statements:

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	Amount
Transfers from Nonmajor Governmental funds to:	
General Fund	\$ 3,399

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated for reporting in the statement of activities.

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003, and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Sandusky and Ottawa Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date tax bills are sent.

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Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which are measurable as of June 30, 2004 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2004 was \$575,089 in the general fund, \$74,895 in the debt service fund and \$9,839 in the capital projects fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$509,999 in the general fund, \$87,700 in the debt service fund, and \$20,060 in the Permanent Improvement capital projects fund (a nonmajor governmental fund).

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

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

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/residential and other real estate	\$ 104,346,190	71.92%	\$ 114,194,260	77.22%
Public utility personal	6,793,060	4.68%	5,994,300	4.05%
Tangible personal property	33,958,855	23.40%	27,696,632	18.73%
<b>Total</b>	<b>\$ 145,098,105</b>	<b>100.00%</b>	<b>\$ 147,885,192</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	\$ 40.70		\$ 48.25	

**7. RECEIVABLES**

Receivables at June 30, 2004 consisted of taxes and intergovernmental grants and entitlements. 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 receivables reported on the statement of net assets follows:

Governmental Activities:	
Property taxes	\$ 4,618,329
Intergovernmental	431,247
<i>Total</i>	<u><u>\$ 5,049,576</u></u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**8. CAPITAL ASSETS**

A. The capital asset balances of the governmental activities have been restated due to fund reclassification of the food service fund and to correct errors and omissions in the prior years.

	Balance 6/30/03	Adjustments	Restated Balance 6/30/03
<b>Governmental Activities</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 174,516	\$ 174,516
<i>Total capital assets, not being depreciated</i>	<u>-</u>	<u>174,516</u>	<u>174,516</u>
Capital assets, being depreciated:			
Land improvements	497,836	-	497,836
Buildings and improvements	8,635,091	(30,000)	8,605,091
Furniture and equipment	2,155,245	138,564	2,293,809
Vehicles	712,925	-	712,925
<i>Total capital assets, being depreciated</i>	<u>12,001,097</u>	<u>108,564</u>	<u>12,109,661</u>
Less: accumulated depreciation:	-	(5,685,703)	(5,685,703)
<i>Governmental activities capital assets, net</i>	<u>\$ 12,001,097</u>	<u>\$ (5,402,623)</u>	<u>\$ 6,598,474</u>

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

	Restated Balance 06/30/03	Additions	Deductions	Balance 06/30/04
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 174,516	\$ -	\$ -	\$ 174,516
<i>Total capital assets, not being depreciated</i>	<u>174,516</u>	<u>-</u>	<u>-</u>	<u>174,516</u>
Capital assets, being depreciated:				
Land improvements	497,836	-	-	497,836
Buildings and improvements	8,605,091	114,900	-	8,719,991
Furniture and equipment	2,293,809	90,333	(27,417)	2,356,725
Vehicles	712,925	71,212	(41,363)	742,774
<i>Total capital assets, being depreciated:</i>	<u>12,109,661</u>	<u>276,445</u>	<u>(68,780)</u>	<u>12,317,326</u>
Less: accumulated depreciation				
Land improvements	(497,836)	-	-	(497,836)
Buildings and improvements	(3,025,106)	(180,509)	-	(3,205,615)
Furniture and equipment	(1,682,433)	(133,266)	26,019	(1,789,680)
Vehicles	(480,328)	(50,534)	41,363	(489,499)
<i>Total accumulated depreciation</i>	<u>(5,685,703)</u>	<u>(364,309)</u>	<u>67,382</u>	<u>(5,982,630)</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 6,598,474</u>	<u>\$ (87,864)</u>	<u>\$ (1,398)</u>	<u>\$ 6,509,212</u>

**WOODMORE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 195,805
Vocational	3,978
Special	1,446
Support Services:	
Pupil	1,364
Instructional staff	65,501
Board of Education	2,900
Administration	6,793
Fiscal	4,035
Operations and maintenance	22,939
Pupil transportation	42,727
Extracurricular activities	4,148
Food service operations	12,673
<i>Total depreciation expense</i>	\$ 364,309

**9. CAPITALIZED LEASES - LESSEE DISCLOSURE**

During fiscal year 2004, the District entered into a capitalized lease for a vehicle. This lease agreement met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of a vehicle have been capitalized in the amount of \$18,212. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. On the fund financial statements, principal payments in fiscal year 2004 totaled \$6,382 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2004:

Fiscal Year Ending June 30,	Amount
2005	\$ 6,475
2006	6,476
<i>Total minimum lease payments</i>	12,951
Less: amount representing interest	(1,121)
<i>Total</i>	\$ 11,830

**10. LONG-TERM OBLIGATIONS**

- A. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$20,425 from \$642,274 to \$662,699 due to the implementation of GASB Interpretation No. 6 and the fund

**WOODMORE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

reclassifications described in Note 3.A. In addition, pension obligations of \$62,200 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. The effect on the total governmental activities long-term obligations at July 1, 2003 was a decrease of \$41,775 from \$3,359,684 to \$3,317,909. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Interest Rate	Restated Balance Outstanding 06/30/03	Additions	Reductions	Balance Outstanding 06/30/04	Amounts Due in One Year
<b>Governmental Activities:</b>						
General Obligation Bonds:						
Current interest bonds	4.60-15.00%	\$ 1,800,000	\$ -	\$ (440,000)	\$ 1,360,000	\$ 480,000
Capital appreciation bonds		64,826	-	-	64,826	-
Accreted interest on capital appreciation bonds		725,384	72,539	-	797,923	-
<i>Total general obligation bonds payable</i>		<u>2,590,210</u>	<u>72,539</u>	<u>(440,000)</u>	<u>2,222,749</u>	<u>480,000</u>
Other Long-Term Obligations:						
Energy conservation note	5.60%	65,000	-	(65,000)	-	-
Capital lease obligation		-	18,212	(6,382)	11,830	5,736
Compensated absences		662,699	69,873	(82,137)	650,435	34,656
<i>Total other long-term obligations</i>		<u>727,699</u>	<u>88,085</u>	<u>(153,519)</u>	<u>662,265</u>	<u>40,392</u>
<i>Total Long-Term Obligations</i>		<u>\$ 3,317,909</u>	<u>\$ 160,624</u>	<u>\$ (593,519)</u>	<u>\$ 2,885,014</u>	<u>\$ 520,392</u>

Series 1993 Bonds - On April 15, 1993, the District issued \$5,249,826 in general obligation bonds to provide funds for the construction and improvement to various facilities.

This issue is comprised of both current interest bonds, par value \$5,185,000, and capital appreciation bonds, par value \$64,826. The interest rates on the current interest bonds range from 2.40 percent to 4.15 percent. The capital appreciation bonds mature on December 1, 2005 (effective interest 7.747 percent) and December 1, 2006 (effective interest 7.736 percent) at a redemption price equal to 100 percent of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2004 was \$64,826. A total of \$797,923 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2004.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity date is December 2008.

Energy Conservation Notes - On May 23, 1994, the District issued bonds in the amount of \$518,109. The notes were issued for the purpose of upgrading buildings owned by the District to reduce energy consumption. The notes were issued at 5.60 percent for 10 years with semi-annual payments due in May and November. The notes were retired from the general fund and the final payment was made during fiscal year 2004.

**WOODMORE LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

- B.** The following is a summary of the District's future annual debt service requirements to maturity for notes and bonds:

Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2005	\$ 480,000	\$ 61,720	\$ 541,720	\$ -	\$ -	\$ -
2006	-	49,720	49,720	36,093	453,907	490,000
2007	-	49,720	49,720	28,733	451,267	480,000
2008	455,000	36,866	491,866	-	-	-
2009	425,000	12,006	437,006	-	-	-
<b>Total</b>	<b>\$ 1,360,000</b>	<b>\$ 210,032</b>	<b>\$ 1,570,032</b>	<b>\$ 64,826</b>	<b>\$ 905,174</b>	<b>\$ 970,000</b>

**C. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9 percent of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1 percent of the property valuation of the District.

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$12,332,001 (including available funds of \$372,334) and an unvoted debt margin of \$147,885.

**11. RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to tort; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Schools of Ohio Risk Sharing Authority, Inc. for insurance coverage. Coverages provided are as follows:

Property Insurance	\$ 25,837,586
Automobile Liability	4,000,000
Error and Omissions	4,000,000
Crime Coverage	50,000
General Liability:	
Per Occurrence	4,000,000
Total Per Year	6,000,000

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

**B. Medical/Dental Insurance**

The District participates in the San-Ott Insurance Consortium (the Consortium), a public entity shared risk pool consisting of ten local school districts. The District pays monthly premiums to the Consortium for employee medical and dental insurance benefits. The Consortium is responsible for the management and operation of the program. Upon withdrawal from the



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FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

Consortium, a participant is responsible for the payment of all liabilities to its employees, dependents, and designated beneficiaries accruing as a result of withdrawal.

Depending upon the plan chosen, the employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Life insurance and accidental death and dismemberment insurance are provided through Mutual of Omaha Insurance Company.

**C. Workers' Compensation Plan**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A.). The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan.

The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to districts that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the Plan.

**12. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$98,551, \$55,754, and \$55,589, respectively; 75 percent has been contributed for

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(Continued)

fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$73,920 represents the unpaid contribution for fiscal year 2004.

**B. State Teachers Retirement System**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

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 District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13 percent of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$551,525, \$565,572, and \$382,145, respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for the fiscal years 2003 and 2002. \$102,204 represents the

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FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal 2004 were \$1,672 made by the District and \$1,600 made by plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2004, three members of the Board of Education have elected Social Security. The District's liability is 6.20 percent of wages paid.

**13. POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$42,425 during fiscal 2004.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.1 billion at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268.739 million and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. 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. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For this fiscal year, employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$74,724 during the 2004 fiscal year.

**14. BUDGETARY BASIS OF ACCOUNTING**

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

The Statement of Revenue, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) 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 the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (209,678)
Net adjustment for revenue accruals	61,704
Net adjustment for expenditure accruals	4,159
Net adjustment for other sources/uses	21,355
Adjustment for encumbrances	185,454
GAAP basis	\$ 62,994

**15. CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state, and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)

**B. Litigation**

The District is involved in no material litigation as either plaintiff or defendant.

**C. State 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.

**16. STATUTORY RESERVES**

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2004, the reserve activity was as follows:

	Textbooks	Capital Acquisition
Set-aside cash balance as of June 30, 2003	\$ 62,383	\$ -
Current year set-aside requirement	163,069	163,069
Current year offsets	-	(127,181)
Qualifying disbursements	(218,149)	(95,612)
<i>Total</i>	\$ 7,303	\$ (59,724)
Cash balance carried forward to FY 2005	\$ 7,303	\$ -

A schedule of the restricted assets at June 30, 2004 follows:

Amounts restricted for textbooks	7,303
<i>Total restricted assets</i>	\$ 7,303

The District's qualifying capital acquisition expenditures exceeded the required set-aside amount; however the negative amount may not be carried forward to future years.

**17. OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

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

**WOODMORE LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004  
(Continued)**

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

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SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	N/A	10.550
National School Lunch Program	049577-LLP4	10.555
Summer Food Service for Children	049577-24PU	10.559
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed Through Ohio Department of Education:</i>		
Special Education Grants to States (IDEA Part B)	049577-6BSD-03P 049577-6BSD-04P	84.027
Migrant Education Basis State Grant Program	049577-MGS1-01 049577-MGS1-02 049577-MGS1-03 049577-MGS1-04	84.011
I Grants to Local Educational Agencies (ESEA Title I)	049577-C1S1-03 049577-C1S1-04	84.348
Eisenhower Professional Development State Grant	049577-MSS1	84.281
Innovative Educational Program Strategies	049577-C2S1-02 049577-C2S1-03 049577-C2S1-04	84.298
Drug-Free Schools Grant	049577-DRS1-02 049577-DRS1-03 049577-DRS1-04	84.186



<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Federal Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$ 25,539		\$ 25,539
\$ 45,598 255		\$ 45,598 255	
<u>45,853</u>	<u>25,539</u>	<u>45,853</u>	<u>25,539</u>
6,429 29,194 <u>35,623</u>		8,046 155,095 <u>163,141</u>	
142,085 56,000 <u>198,085</u>		1,209 2 165,459 40,751 <u>207,421</u>	
5,962 50,997 <u>56,959</u>		5,862 51,949 <u>57,811</u>	
(1,785)			
5,483 1,278 <u>6,761</u>		23 965 484 <u>1,472</u>	
2,815 3,625 <u>6,440</u>		81 3,461 3,586 <u>7,128</u>	

(Continued)

**WOODMORE LOCAL SCHOOL DISTRICT  
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SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2004  
(Continued)

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
<b>UNITED STATES DEPARTMENT OF EDUCATION (Continued)</b>		
English Language Acquisition Grant	049577-T3S1-04	84.365
Improving Teacher Quality	045096-TRS1-03 045096-TRS1-04	84.336
Assistive Technology	045096-TJS1-04	84.224
Technology Literacy Challenge Grant	045096-CRS1-03	84.318
Total Department of Education		
<b>Totals</b>		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Federal Disbursements</u>	<u>Non-Cash Disbursements</u>
		2,743	
1,785		6,164	
9,969		25,762	
<u>11,754</u>		<u>31,926</u>	
		3,833	
196		297	
<u>314,033</u>		<u>475,772</u>	
<u><b>\$ 359,886</b></u>	<u><b>\$ 25,539</b></u>	<u><b>\$ 521,625</b></u>	<u><b>\$ 25,539</b></u>

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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

**NOTE C - MATCHING REQUIREMENTS**

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



**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***

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Woodmore Local School District (the District) as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated April 22, 2005, in which we noted the District implemented Government 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated April 22, 2005, we reported other matters involving internal control over financial reporting.

One Government Center / Room 1420 / Toledo, OH 43604-2246  
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484  
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### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. In a separate letter to the District's management dated April 22, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



**Betty Montgomery**  
Auditor of State

April 22, 2005



**Auditor of State  
Betty Montgomery**

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

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

To the Board of Education:

**Compliance**

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

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

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

### **Internal Control Over Compliance**

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



**Betty Montgomery**  
Auditor of State

April 22, 2005



**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

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

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster CFDA # 10.550/ 10.553/ 10.555/10.559 and Migrant Education CFDA # 84.011
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

None.

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

None.

**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2003-001	Finding for recovery in the amount of \$608 for revenue collected but not deposited	Yes	
2003-002	Finding for recovery in the amount of \$1,233 for improper expenditure of money.	Yes	
2003-003	Certificates of eligibility for the Migrant Program were not signed by the Director.	Yes	



**Auditor of State  
Betty Montgomery**

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**WOODMORE LOCAL SCHOOL DISTRICT  
SANDUSKY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 2, 2005**