

**PLYMOUTH-SHILOH
LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2005***

BRENDA SCHWAMBERGER, TREASURER



**Auditor of State
Betty Montgomery**

Board of Education
Plymouth-Shiloh Local School District
Plymouth, Ohio

We have reviewed the *Independent Auditor's Report* of the Plymouth-Shiloh Local School District, Richland County, prepared by Julian and Grube, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

January 6, 2006

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**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Board of Education
Plymouth-Shiloh Local School District
365 Sandusky St.
Plymouth, Ohio 44865

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Plymouth-Shiloh Local School District, Richland County, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005.

Independent Auditor's Report
Plymouth-Shiloh Local School District
Page Two

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 30, 2005

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

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

Financial Highlights

Key financial highlights for 2005 are as follows:

- In total, net assets increased \$386,431. Net assets of governmental activities increased \$379,819, which represents a 2.65% increase from 2004. Net assets of business-type activities increased \$6,612 or 14.48% from 2004.
- General governmental revenues accounted for \$7,712,182 in revenue or 81.40% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,762,195 or 18.60% of total revenues of \$9,474,377.
- The District had \$9,094,558 in expenses related to governmental activities; only \$1,762,195 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,712,182 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,595,076 in revenues and \$7,152,378 in expenditures and other financing uses. The general fund's fund balance increased \$442,698 from \$501,732 to \$944,430.
- The classroom facilities fund had \$48,741 in revenues and \$4,973 in expenditures. The classroom facilities fund's fund balance increased \$43,768 from \$2,317,578 to \$2,361,346.
- Net assets for the District's enterprise fund increased \$6,612. The special enterprises fund had \$19,151 in revenues and \$12,539 in expenses.

Using the 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 classroom facilities fund are by far the most significant funds, and the only governmental funds reported as major funds.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

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 2005?" 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 District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's special enterprises operations are reported as business activities.

The District's statement of net assets and statement of activities can be found on pages 14-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds and the analysis of the District's enterprise fund begins on page 10. 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 classroom facilities 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* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps 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 financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 22-24 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 25. 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 26-53 of this report.

The District as a Whole

Recall that the Statement of Net Assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2005 and 2004.

	Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
<u>Assets</u>						
Current assets	\$ 6,970,497	\$ 6,137,083	\$ 53,654	\$ 45,671	\$ 7,024,151	\$ 6,182,754
Capital assets	<u>12,169,089</u>	<u>12,627,200</u>	-	-	<u>12,169,089</u>	<u>12,627,200</u>
Total assets	<u>19,139,586</u>	<u>18,764,283</u>	<u>53,654</u>	<u>45,671</u>	<u>19,193,240</u>	<u>18,809,954</u>
<u>Liabilities</u>						
Current liabilities	2,331,310	2,247,425	1,371	-	2,332,681	2,247,425
Long-term liabilities	<u>2,117,946</u>	<u>2,206,347</u>	-	-	<u>2,117,946</u>	<u>2,206,347</u>
Total liabilities	<u>4,449,256</u>	<u>4,453,772</u>	<u>1,371</u>	<u>-</u>	<u>4,450,627</u>	<u>4,453,772</u>
<u>Net Assets</u>						
Invested in capital assets, net of debt	10,588,912	10,912,667	-	-	10,588,912	10,912,667
Restricted	3,191,191	2,722,093	-	-	3,191,191	2,722,093
Unrestricted	<u>910,227</u>	<u>675,751</u>	<u>52,283</u>	<u>45,671</u>	<u>962,510</u>	<u>721,422</u>
Total net assets	<u>\$ 14,690,330</u>	<u>\$ 14,310,511</u>	<u>\$ 52,283</u>	<u>\$ 45,671</u>	<u>\$ 14,742,613</u>	<u>\$ 14,356,182</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2005, the District's assets exceeded liabilities by \$14,742,613, \$14,690,330 of this total is in governmental activities and \$52,283 is in business-type activities.

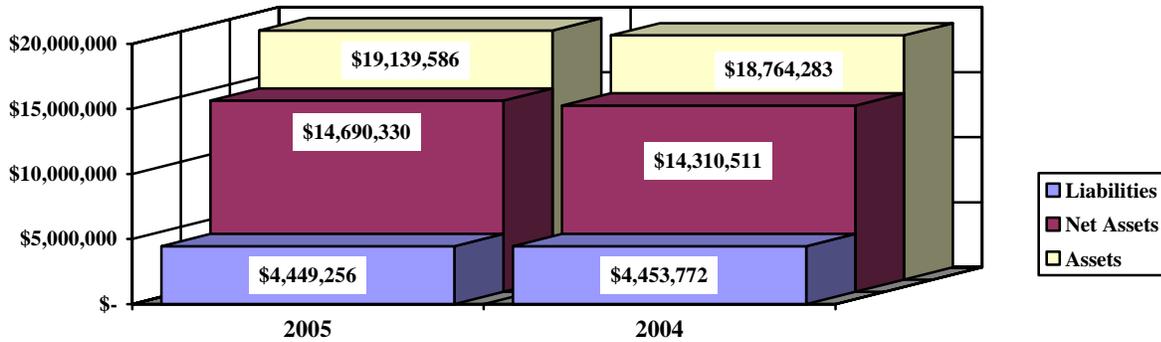
Capital assets reported on the government-wide statements represent the largest portion of the District's net assets. At year-end, capital assets represented 63.58% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2005, were \$10,588,912 in the governmental activities. These capital assets are used to provide services to 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.

As of June 30, 2005, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the District's net assets, \$3,191,191, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$910,227 may be used to meet the District's ongoing obligations to the students and creditors.

This table below provides a summary of the District's net assets for 2005 and 2004.

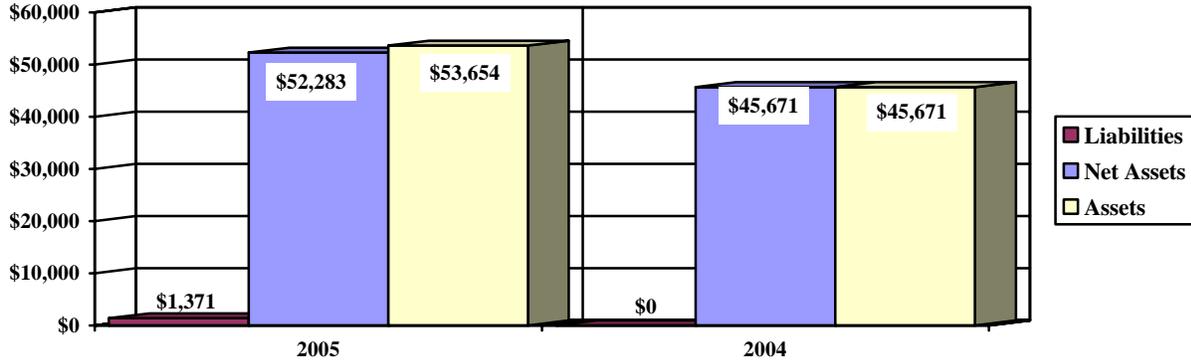
Governmental - Net Assets



**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
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Business-Type - Net Assets



The table below shows the change in net assets for governmental activities and business-type activities fiscal year 2005 and 2004.

Change in Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Revenues</u>						
Program revenues:						
Charges for services and sales	\$ 640,045	\$ 691,479	\$ 19,151	\$ 41,773	\$ 659,196	\$ 733,252
Operating grants and contributions	1,122,150	1,272,320	-	-	1,122,150	1,272,320
Capital grants and contributions	-	24,200	-	-	-	24,200
General revenues:						
Taxes	2,295,442	2,325,598	-	-	2,295,442	2,325,598
Grants and entitlements	5,142,002	4,684,448	-	-	5,142,002	4,684,448
Investment earnings	95,684	39,474	-	-	95,684	39,474
Other	179,054	59,304	-	-	179,054	59,304
Special item	-	193,750	-	-	-	193,750
Total revenues	<u>9,474,377</u>	<u>9,290,573</u>	<u>19,151</u>	<u>41,773</u>	<u>9,493,528</u>	<u>9,332,346</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	\$ 3,805,267	\$ 4,057,845	\$ -	\$ -	\$ 3,805,267	\$ 4,057,845
Special	691,085	754,986	-	-	691,085	754,986
Vocational	181,925	174,684	-	-	181,925	174,684
Other	281,261	199,645	-	-	281,261	199,645
Support services:						
Pupil	394,401	355,775	-	-	394,401	355,775
Instructional staff	466,333	502,230	-	-	466,333	502,230
Board of Education	21,463	22,891	-	-	21,463	22,891
Administration	827,468	903,980	-	-	827,468	903,980
Fiscal	216,403	212,661	-	-	216,403	212,661
Business	6,174	7,771	-	-	6,174	7,771
Operations and maintenance	868,928	1,181,771	-	-	868,928	1,181,771
Pupil transportation	429,005	425,893	-	-	429,005	425,893
Central	45,318	38,870	-	-	45,318	38,870
Food service	481,478	452,977	-	-	481,478	452,977
Operation of non-instructional services	641	25,919	-	-	641	25,919
Extracurricular activities	276,601	273,245	-	-	276,601	273,245
Interest and fiscal charges	100,807	109,401	-	-	100,807	109,401
Special enterprises	-	-	12,539	23,926	12,539	23,926
Total expenses	<u>9,094,558</u>	<u>9,700,544</u>	<u>12,539</u>	<u>23,926</u>	<u>9,107,097</u>	<u>9,724,470</u>
Changes in net assets	379,819	(409,971)	6,612	17,847	386,431	(392,124)
Net assets at beginning of year	<u>14,310,511</u>	<u>14,720,482</u>	<u>45,671</u>	<u>27,824</u>	<u>14,356,182</u>	<u>14,748,306</u>
Net assets at end of year	<u>\$ 14,690,330</u>	<u>\$ 14,310,511</u>	<u>\$ 52,283</u>	<u>\$ 45,671</u>	<u>\$ 14,742,613</u>	<u>\$ 14,356,182</u>

Governmental Activities

Net assets of the District's governmental activities increased \$379,819. Total governmental expenses of \$9,094,558 were offset by program revenues of \$1,762,195 and general revenues of \$7,712,182. Program revenues supported 19.38% of the total governmental expenses.

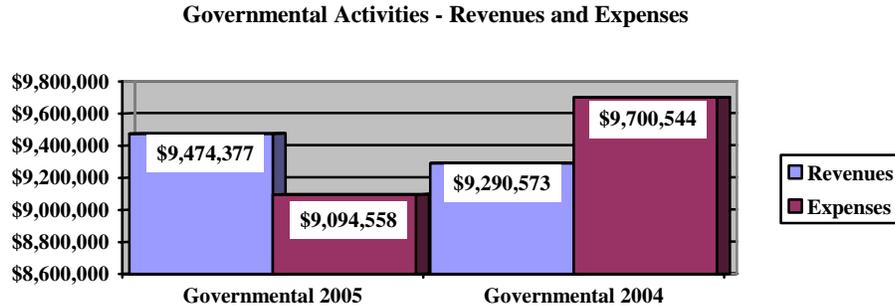
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 78.50% of total governmental revenues. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,959,538 or 54.53% of total governmental expenses for fiscal 2005.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2005 and 2004.



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 for 2005 and 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Program expenses:				
Instruction:				
Regular	\$ 3,805,267	\$ 3,030,114	\$ 4,057,845	\$ 3,182,705
Special	691,085	510,544	754,986	570,827
Vocational	181,925	181,925	174,684	174,684
Other	281,261	281,261	199,645	199,645
Support services:				
Pupil	394,401	393,464	355,775	355,604
Instructional staff	466,333	277,566	502,230	356,057
Board of Education	21,463	21,463	22,891	22,891
Administration	827,468	755,462	903,980	735,753
Fiscal	216,403	214,125	212,661	210,748
Business	6,174	6,174	7,771	7,771
Operations and maintenance	868,928	863,637	1,181,771	1,153,742
Pupil transportation	429,005	427,179	425,893	385,629
Central	45,318	33,209	38,870	25,393
Food service	481,478	34,427	452,977	17,993
Operation of non-instructional services	641	(1,109)	25,919	530
Extracurricular activities	276,601	202,115	273,245	203,172
Interest and fiscal charges	100,807	100,807	109,401	109,401
Total expenses	\$ 9,094,558	\$ 7,332,363	\$ 9,700,544	\$ 7,712,545

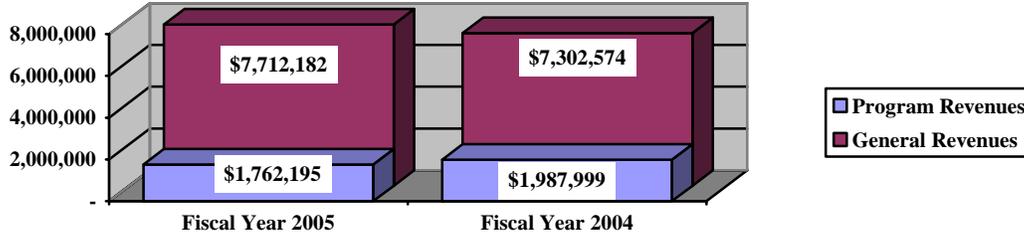
The dependence upon tax revenues during fiscal year 2005 for governmental activities is apparent, as 80.73% of 2005 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 80.62% in 2005. The District's taxpayers, as a whole, is by far the primary support for District's students.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The graph below presents the District's governmental activities revenue for fiscal year 2005 and 2004.

Governmental Activities - General and Program Revenues



Business-Type Activities

Business-type activities include the nonmajor special enterprises operation. This program had operating revenues of \$19,151 and operating expenses of \$12,539 for fiscal year 2005. The District's business activities receive no support from tax revenues.

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$4,208,621, which is above last year's total of \$3,459,336. The June 30, 2004 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, 2005 and 2004.

	Fund Balance June 30, 2005	Restated Fund Balance June 30, 2004	Increase	Percentage Change
General	\$ 944,430	\$ 501,732	\$ 442,698	88.23%
Classroom Facilities	2,361,346	2,317,578	43,768	1.89%
Other Governmental	902,845	640,026	262,819	41.06%
Total	\$ 4,208,621	\$ 3,459,336	\$ 749,285	21.66%

General Fund

The District's general fund balance increased \$442,698, due to increasing revenues and decreased expenditures during 2005. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

	2005	Restated 2004	Increase	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>(Decrease)</u>	<u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,078,743	\$ 2,006,848	\$ 71,895	3.58 %
Tuition	292,850	350,966	(58,116)	(16.56) %
Interest earnings	46,694	19,103	27,591	144.43 %
Intergovernmental	5,118,849	4,670,676	448,173	9.60 %
Other revenues	<u>57,940</u>	<u>81,210</u>	<u>(23,270)</u>	<u>(28.65) %</u>
Total	<u>\$ 7,595,076</u>	<u>\$ 7,128,803</u>	<u>\$ 466,273</u>	<u>6.54 %</u>
<u>Expenditures</u>				
Instruction	\$ 4,004,902	\$ 4,184,532	\$ (179,630)	(4.29) %
Support services	2,786,749	2,720,041	66,708	2.45 %
Extracurricular activities	195,680	163,276	32,404	19.85 %
Facilities acquisition and const	30,000	30,585	(585)	(1.91) %
Debt service	<u>89,709</u>	<u>100,817</u>	<u>(11,108)</u>	<u>(11.02) %</u>
Total	<u>\$ 7,107,040</u>	<u>\$ 7,199,251</u>	<u>\$ (92,211)</u>	<u>(1.28) %</u>

Classroom Facilities Fund

The classroom facilities fund had \$48,741 in revenues and \$4,973 in expenditures. The classroom facilities fund balance increased \$43,768 from \$2,317,578 to \$2,361,346.

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 2005, the District did not amend its general fund budget. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

Actual revenues and other financing sources for fiscal 2005 was \$7,547,355. This represents a \$554,490 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,592,789 stayed the same in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2005 totaled \$7,321,454, which was \$271,335 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the original and final budget.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2005, the District had \$12,169,089 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows fiscal 2005 balances compared to 2004:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2005	2004
Land	\$ 64,810	\$ 64,810
Land improvements	374,460	407,840
Building and improvements	11,106,407	11,416,015
Furniture and equipment	451,377	517,302
Vehicles	172,035	221,233
Total	\$12,169,089	\$12,627,200

The overall decrease in capital assets of \$458,111 is due to depreciation expense of \$487,024 exceeding capital outlays of \$28,913 in the fiscal year.

See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2005 the District had \$1,565,000 in general obligation bonds outstanding. Of this total, \$50,000 is due within one year and \$1,515,000 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2005	2004
General obligation bonds	\$ 1,565,000	\$ 1,615,000
Energy conservation loan	-	41,168
Total	\$ 1,565,000	\$ 1,656,168

At June 30, 2005 the District's overall legal debt margin was \$3,696,423 with an unvoted debt margin of \$55,932.

See Note 11 to the basic financial statements for additional information on the District's debt administration.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

Current Financial Related Activities

The District has carefully managed its general fund budget in order to optimize the dollars available for educating the students it serves, and to minimize the levy millage amounts needed from the community's citizens. Sound fiscal management by the Board of Education and Administration has enabled the District to maintain a healthy cash balance while continuing to utilize the same levy dollars originally passed in 1992.

The District is committed to living within its financial means, while continuing to maintain the highest standards of service to our students, parents and community. However, the future financial stability of the District is not without challenges.

Declining enrollment over the past years is a trend that has received, and will continue to receive, the attention of the Board and Administration. Reduced student counts lead to staffing cuts, excess building capacity, and less state funding. Each of these factors negatively impacts the operations of the District.

The Elementary School is over 27 years old with an annex that is 46 years old and needs to be completely renovated or replaced. The District attempted to pass a bond issue several times for participation in the Ohio School Facilities Commission (OSFC) plan but was not successful. After much discussion and consideration, the Board of Education still has not been able to raise sufficient funding to continue the project.

The last challenge facing the District is the future of state funding. The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither adequate nor equitable. Since 1997, the State has directed its tax revenue growth toward school districts with little property tax wealth. On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan and granted a motion for reconsideration on November 2, 2001. At this time, the District is unable to determine what effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

The District has not anticipated a significant growth in State revenue. The concern is that, to meet the requirements of the court, the State may not have adequate resources to provide the financial needs of the District. As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board and management team continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

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. Brenda J. Schwamberger, Treasurer, Plymouth-Shiloh Local School District, 365 Sandusky Street, Plymouth, Ohio 44865.

**BASIC
FINANCIAL STATEMENTS**

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**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents. . .	\$ 2,813,376	\$ 53,654	\$ 2,867,030
Investments	1,992,536	-	1,992,536
Receivables:			
Taxes	1,986,804	-	1,986,804
Intergovernmental	108,011	-	108,011
Accrued interest	3,067	-	3,067
Prepayments	25,645	-	25,645
Materials and supplies inventory	41,058	-	41,058
Capital assets:			
Land	64,810	-	64,810
Depreciable capital assets, net	12,104,279	-	12,104,279
Capital assets, net.	<u>12,169,089</u>	<u>-</u>	<u>12,169,089</u>
 Total assets.	 <u>19,139,586</u>	 <u>53,654</u>	 <u>19,193,240</u>
Liabilities:			
Accounts payable.	24,474	1,371	25,845
Claims payable	6,342	-	6,342
Accrued wages and benefits	754,498	-	754,498
Pension obligation payable.	179,346	-	179,346
Intergovernmental payable	61,698	-	61,698
Deferred revenue	1,298,735	-	1,298,735
Accrued interest payable	6,217	-	6,217
Long-term liabilities:			
Due within one year.	138,379	-	138,379
Due in more than one year	1,979,567	-	1,979,567
 Total liabilities	 <u>4,449,256</u>	 <u>1,371</u>	 <u>4,450,627</u>
Net Assets:			
Invested in capital assets, net of related debt.	10,588,912	-	10,588,912
Restricted for:			
Capital projects	2,654,758	-	2,654,758
Debt service.	250,268	-	250,268
Classroom facilities maintenance	65,129	-	65,129
State funded programs	9,413	-	9,413
Federally funded programs	121,212	-	121,212
Student activities	20,627	-	20,627
Other purposes	69,784	-	69,784
Unrestricted.	910,227	52,283	962,510
 Total net assets	 <u>\$ 14,690,330</u>	 <u>\$ 52,283</u>	 <u>\$ 14,742,613</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Instruction:			
Regular	\$ 3,805,267	\$ 229,274	\$ 545,879
Special	691,085	89,079	91,462
Vocational	181,925	-	-
Other	281,261	-	-
Support services:			
Pupil	394,401	-	937
Instructional staff	466,333	-	188,767
Board of education	21,463	-	-
Administration	827,468	52,171	19,835
Fiscal	216,403	-	2,278
Business	6,174	-	-
Operations and maintenance	868,928	-	5,291
Pupil transportation	429,005	-	1,826
Central	45,318	-	12,109
Operation of non-instructional services:			
Food service operations	481,478	197,918	249,133
Other non-instructional services	641	-	1,750
Extracurricular activities	276,601	71,603	2,883
Interest and fiscal charges	100,807	-	-
Total governmental activities	<u>9,094,558</u>	<u>640,045</u>	<u>1,122,150</u>
Business-type activities:			
Special Enterprises	<u>12,539</u>	<u>19,151</u>	<u>-</u>
Total business-type activities	<u>12,539</u>	<u>19,151</u>	<u>-</u>
Totals	<u>\$ 9,107,097</u>	<u>\$ 659,196</u>	<u>\$ 1,122,150</u>

General Revenues:

Property taxes levied for:

General purposes	
Special revenue	
Debt service	
School district income tax	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net assets	
Net assets at beginning of year	
Net assets at end of year	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (3,030,114)	\$ -	\$ (3,030,114)
(510,544)	-	(510,544)
(181,925)	-	(181,925)
(281,261)	-	(281,261)
(393,464)	-	(393,464)
(277,566)	-	(277,566)
(21,463)	-	(21,463)
(755,462)	-	(755,462)
(214,125)	-	(214,125)
(6,174)	-	(6,174)
(863,637)	-	(863,637)
(427,179)	-	(427,179)
(33,209)	-	(33,209)
(34,427)	-	(34,427)
1,109	-	1,109
(202,115)	-	(202,115)
(100,807)	-	(100,807)
<u>(7,332,363)</u>	<u>-</u>	<u>(7,332,363)</u>
-	6,612	6,612
-	6,612	6,612
<u>(7,332,363)</u>	<u>6,612</u>	<u>(7,325,751)</u>
1,445,661	-	1,445,661
26,386	-	26,386
160,072	-	160,072
663,323	-	663,323
5,142,002	-	5,142,002
95,684	-	95,684
179,054	-	179,054
<u>7,712,182</u>	<u>-</u>	<u>7,712,182</u>
379,819	6,612	386,431
<u>14,310,511</u>	<u>45,671</u>	<u>14,356,182</u>
<u>\$ 14,690,330</u>	<u>\$ 52,283</u>	<u>\$ 14,742,613</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,295,331	\$ 368,810	\$ 1,026,044	\$ 2,690,185
Investments	-	1,992,536	-	1,992,536
Receivables:				
Taxes.	1,788,258	-	198,546	1,986,804
Intergovernmental	-	-	108,011	108,011
Accrued interest	-	3,067	-	3,067
Interfund receivable	26,458	-	-	26,458
Prepayments	25,344	-	301	25,645
Materials and supplies inventory	31,963	-	9,095	41,058
Restricted assets:				
Equity in pooled cash and cash equivalents	69,784	-	-	69,784
Total assets	<u>\$ 3,237,138</u>	<u>\$ 2,364,413</u>	<u>\$ 1,341,997</u>	<u>\$ 6,943,548</u>
Liabilities:				
Accounts payable	\$ 21,561	\$ -	\$ 2,913	\$ 24,474
Accrued wages and benefits	651,652	-	102,846	754,498
Interfund payable	-	-	26,458	26,458
Pension obligation payable.	146,821	-	32,525	179,346
Intergovernmental payable.	53,432	-	8,266	61,698
Early retirement incentive payable	9,900	-	86,422	96,322
Deferred revenue.	1,409,342	3,067	179,722	1,592,131
Total liabilities	<u>2,292,708</u>	<u>3,067</u>	<u>439,152</u>	<u>2,734,927</u>
Fund Balances:				
Reserved for encumbrances	134,002	5,423	82,389	221,814
Reserved for materials and supplies inventory.	31,963	-	9,095	41,058
Reserved for prepayments	25,344	-	301	25,645
Reserved for debt service	-	-	212,623	212,623
Reserved for property tax unavailable for appropriation	136,181	-	17,483	153,664
Reserved for BWC refunds.	50,385	-	-	50,385
Reserved for school bus purchases	19,399	-	-	19,399
Unreserved, undesignated, reported in:				
General fund	547,156	-	-	547,156
Special revenue funds.	-	-	321,017	321,017
Capital projects funds.	-	2,355,923	259,937	2,615,860
Total fund balances	<u>944,430</u>	<u>2,361,346</u>	<u>902,845</u>	<u>4,208,621</u>
Total liabilities and fund balances	<u>\$ 3,237,138</u>	<u>\$ 2,364,413</u>	<u>\$ 1,341,997</u>	<u>\$ 6,943,548</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

Total governmental fund balances		\$	4,208,621
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,169,089
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	290,329	
Accrued interest		3,067	
Total			293,396
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.			47,065
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(6,217)
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		(441,447)	
Capital lease obligation		(15,177)	
General obligation bonds payable		(1,565,000)	
Total			(2,021,624)
Net assets of governmental activities		\$	14,690,330

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,078,743	\$ -	\$ 185,705	\$ 2,264,448
Tuition.	292,850	-	-	292,850
Charges for services.	-	-	197,918	197,918
Earnings on investments.	46,694	48,741	1,009	96,444
Classroom materials and fees.	25,503	-	2,371	27,874
Extracurricular.	-	-	64,122	64,122
Other local revenues.	32,437	-	203,898	236,335
Intergovernmental - state.	5,118,849	-	121,972	5,240,821
Intergovernmental - federal	-	-	1,023,361	1,023,361
Total revenue	<u>7,595,076</u>	<u>48,741</u>	<u>1,800,356</u>	<u>9,444,173</u>
Expenditures:				
Current:				
Instruction:				
Regular	2,971,442	-	558,166	3,529,608
Special.	590,400	-	79,361	669,761
Vocational.	161,799	-	-	161,799
Other.	281,261	-	-	281,261
Support services:				
Pupil.	384,045	-	937	384,982
Instructional staff	263,108	-	166,304	429,412
Board of education	21,463	-	-	21,463
Administration.	725,718	-	61,005	786,723
Fiscal	205,003	4,973	4,661	214,637
Business	6,174	-	-	6,174
Operations and maintenance.	761,332	-	15,324	776,656
Pupil transportation	386,369	-	1,308	387,677
Central.	33,537	-	12,040	45,577
Operation of non-instructional services:				
Food service operations	-	-	453,671	453,671
Other non-instructional services.	-	-	641	641
Extracurricular activities.	195,680	-	81,482	277,162
Facilities acquisition and construction	30,000	-	-	30,000
Debt service:				
Principal retirement	84,356	-	50,000	134,356
Interest and fiscal charges	5,353	-	97,975	103,328
Total expenditures	<u>7,107,040</u>	<u>4,973</u>	<u>1,582,875</u>	<u>8,694,888</u>
Excess of revenues over expenditures	<u>488,036</u>	<u>43,768</u>	<u>217,481</u>	<u>749,285</u>
Other financing sources (uses):				
Transfers in	-	-	45,338	45,338
Transfers (out).	<u>(45,338)</u>	<u>-</u>	<u>-</u>	<u>(45,338)</u>
Total other financing sources (uses)	<u>(45,338)</u>	<u>-</u>	<u>45,338</u>	<u>-</u>
Net change in fund balances	442,698	43,768	262,819	749,285
Fund balances				
at beginning of year (restated).	501,732	2,317,578	640,026	3,459,336
Fund balances at end of year.	<u>\$ 944,430</u>	<u>\$ 2,361,346</u>	<u>\$ 902,845</u>	<u>\$ 4,208,621</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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, 2005

Net change in fund balances - total governmental funds	\$	749,285
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
<p>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 exceeds capital outlays in the current period.</p>		
Capital asset additions	\$ 28,913	
Current year depreciation	(487,024)	
Total		(458,111)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Taxes	30,994	
Intergovernmental revenue	(30)	
Accrued interest	(760)	
Total		30,204
<p>Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
		134,356
<p>In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due.</p>		
		2,521
<p>Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
		(85,252)
<p>The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.</p>		
		6,816
Change in net assets of governmental activities	\$	379,819

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 1,894,172	\$ 1,894,172	\$ 2,030,942	\$ 136,770
Tuition.	229,000	229,000	292,850	63,850
Earnings on investments.	17,000	17,000	46,694	29,694
Classroom materials and fees	22,500	22,500	25,503	3,003
Other local revenues	17,331	17,331	15,505	(1,826)
Intergovernmental - state	4,812,862	4,812,862	5,118,849	305,987
Total revenue	<u>6,992,865</u>	<u>6,992,865</u>	<u>7,530,343</u>	<u>537,478</u>
Expenditures:				
Current:				
Instruction:				
Regular	3,187,933	3,187,933	3,130,328	57,605
Special.	673,918	673,918	632,020	41,898
Vocational.	161,585	161,585	159,616	1,969
Other.	210,962	210,962	283,761	(72,799)
Support services:				
Pupil.	392,195	392,195	390,351	1,844
Instructional staff	328,773	328,773	270,905	57,868
Board of education	27,241	27,241	21,933	5,308
Administration.	757,082	757,082	723,767	33,315
Fiscal	224,863	224,863	202,650	22,213
Business	10,911	10,911	6,651	4,260
Operations and maintenance.	853,148	853,148	775,335	77,813
Pupil transportation	429,826	429,826	387,409	42,417
Central.	61,126	61,126	43,937	17,189
Extracurricular activities.	228,336	228,336	190,995	37,341
Facilities acquisition and construction.	30,890	30,890	30,000	890
Total expenditures	<u>7,578,789</u>	<u>7,578,789</u>	<u>7,249,658</u>	<u>329,131</u>
Excess of revenues over (under) expenditures.	<u>(585,924)</u>	<u>(585,924)</u>	<u>280,685</u>	<u>866,609</u>
Other financing sources (uses):				
Transfers (out)	(14,000)	(14,000)	(45,338)	(31,338)
Advances (out)	-	-	(26,458)	(26,458)
Sale of capital assets.	-	-	17,012	17,012
Total other financing sources (uses)	<u>(14,000)</u>	<u>(14,000)</u>	<u>(54,784)</u>	<u>(40,784)</u>
Net change in fund balance	(599,924)	(599,924)	225,901	825,825
Fund balance at beginning of year	678,196	678,196	678,196	-
Prior year encumbrances appropriated	314,517	314,517	314,517	-
Fund balance at end of year.	<u>\$ 392,789</u>	<u>\$ 392,789</u>	<u>\$ 1,218,614</u>	<u>\$ 825,825</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Special Enterprises	
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 53,654	\$ 53,407
Total assets	53,654	53,407
Liabilities:		
Current liabilities:		
Accounts payable	1,371	-
Claims payable	-	6,342
Total liabilities	1,371	6,342
Net assets:		
Unrestricted	52,283	47,065
Total net assets.	\$ 52,283	\$ 47,065

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Special Enterprises	Internal Service Fund
Operating revenues:		
Tuition and fees.	\$ 2,718	\$ -
Sales/charges for services.	195	57,689
Other	16,238	-
Total operating revenues	19,151	57,689
Operating expenses:		
Purchased services.	-	3,987
Materials and supplies	6,991	-
Claims	-	46,886
Other.	5,548	-
Total operating expenses.	12,539	50,873
Operating income	6,612	6,816
Net assets at beginning of year	45,671	40,249
Net assets at end of year	\$ 52,283	\$ 47,065

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Business-Type Activities	Governmental Activities - Internal Service Fund
	Special Enterprises	
Cash flows from operating activities:		
Cash received from tuition and fees.	\$ 2,718	\$ -
Cash received from sales/charges for services	195	57,689
Cash received from other operations.	16,238	-
Cash payments for purchased services.	-	(3,987)
Cash payments for materials and supplies	(5,620)	-
Cash payments for other expenses	(5,548)	-
Cash payments for claims expense.	-	(45,673)
 Net cash provided by operating activities	 7,983	 8,029
 Net increase in cash and cash equivalents	 7,983	 8,029
 Cash and cash equivalents at beginning of year	 45,671	 45,378
Cash and cash equivalents at end of year.	\$ 53,654	\$ 53,407
 Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 6,612	\$ 6,816
Changes in assets and liabilities:		
Increase in accounts payable.	1,371	-
Increase in claims payable	-	1,213
 Net cash provided by operating activities	 \$ 7,983	 \$ 8,029

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

	Agency
Assets:	
Equity in pooled cash and cash equivalents	\$ 23,141
Total assets.	\$ 23,141
Liabilities:	
Accounts payable.	\$ 3,157
Due to students	19,984
Total liabilities	\$ 23,141

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

Plymouth-Shiloh Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the district's 4 instructional/support facilities staffed by 43 classified and 76 certificated full-time teaching personnel, who provide services to 976 students and other community members. The District ranks as the 500th by enrollment among 614 public school districts in the state, and 8th largest in Richland County.

NOTE 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 and to its proprietary fund provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply these FASB Statements and Interpretations. 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 organizations 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 services, 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:

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

JOINTLY GOVERNED ORGANIZATIONS

Heartland Council of Governments (the "COG")

The COG (formally known as North Central Ohio Computer Cooperative) is a jointly governed organization among 15 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 39, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

Pioneer Career and Technology Center (PCTC)

The PCTC is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Treasurer of the Pioneer Career and Technology Center at 27 Ryan Road, Shelby, OH 44875.

PUBLIC ENTITY RISK 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. Refer to Note 13 for further information on this group rating plan.

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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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

Other governmental funds of the District are used to account for (a) the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs; (b) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds; and (c) for grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds.

Enterprise Fund - The enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The District has one enterprise fund to account for the special enterprises including childcare and student farming. This fund is considered a nonmajor enterprise fund.

Internal Service Fund - The internal service fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis. The only internal service fund of the District accounts for a self-insurance program which provides dental benefits to employees.

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 does not have any private-purpose trust funds. Agency 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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

All governmental fund types 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.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

Agency funds do not report a measurement focus as they do not report operations.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. 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, income 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 and student fees.

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, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the Statement of Revenues, Expenditures and Changes in Fund Balances as an expenditure with a like amount reported as intergovernmental revenue.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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 (except Agency funds). The specific timetable for fiscal year 2005 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 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 Richland 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 Certificate issued for fiscal year 2005.
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. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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, 2005; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds, including proprietary 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" and "Investments" on the basic financial statements.

During fiscal year 2005, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market mutual funds, repurchase agreement, and federal agency securities. 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 2005. 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, 2005.

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. Interest revenue credited to the general fund during fiscal year 2005 amounted to \$46,694 which includes \$21,329 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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

On fund financial statements, inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold at \$5,000. 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	10 - 20 years
Buildings and improvements	30 - 40 years
Furniture and equipment	5 - 20 years
Vehicles	8 - 15 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities column on the Statement of Net Assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District had no internal balances at fiscal year-end.

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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

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, 2005, 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, employees age 50 with at least 10 years of service and all employees with at least twenty years of service 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, 2005, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from the internal service and enterprise funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims liability, 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.

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, debt service, property tax revenue unavailable for appropriation, BWC refunds and school bus purchases. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under state statute.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

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

M. Operating Revenues and Expenses

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the District's proprietary fund are tuition and fees and charges for sales and services. Operating expenses for the enterprise fund include purchased services and other expenses related to the operations of the Special Enterprises fund and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

N. 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 when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. 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 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.

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 school bus purchase reserve and reserve for BWC refunds. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 19.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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

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 and after nonoperating revenues/expenses in proprietary 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. During fiscal year 2005 the District did not incur any transactions that would be classified as an extraordinary or special item.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2005, the District has implemented GASB Statement No. 40, "Deposit and Investment Risk Disclosures" and GASB Technical Bulletin 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers".

GASB Statement No. 40 establishes and modified disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modified disclosure requirements for custodial credit risk on deposits.

GASB Technical Bulletin No. 2004-2 addresses the amount that should be recognized as expenditure/expense and as a liability each period by employers participating in a cost-sharing multiple-employer pension and other postemployment benefit (OPEB) plans.

The implementation of GASB Statement No. 40 did not have an effect on the financial statements of the District, however additional note disclosure can be found in Note 4. The implementation of GASB Technical Bulletin No. 2004-2 had the following effect on the fund balances of the major and non-major funds of the District as they were previously reported as of June 30, 2004:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund Balances, June 30, 2004	\$ 547,141	\$ 2,317,578	\$ 667,567	\$ 3,532,286
GASB Technical Bulletin No. 2004-2	<u>(45,409)</u>	<u>-</u>	<u>(27,541)</u>	<u>(72,950)</u>
Restated Fund Balance, June 30, 2004	<u>\$ 501,732</u>	<u>\$ 2,317,578</u>	<u>\$ 640,026</u>	<u>\$ 3,459,336</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2005 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Improving teacher quality	\$ 308
Ohio Reads	2,216
DPIA	62

These funds complied with Ohio state law, which does not permit a cash basis deficit at 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 result from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

A. Cash on Hand

At year-end, the District had \$2,655 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."

B. Deposits with Financial Institutions

At June 30, 2005, the carrying amount of all District deposits was \$(18,519). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2005, the District's entire bank balance of \$78,036 was covered by Federal Deposit Insurance Corporation.

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

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
STAR Ohio	\$ 2,792,179	\$ 2,792,179	\$ -
FHLB	494,375	-	494,375
FNMA	592,700	493,450	99,250
FHLM	1,004,711	490,100	514,611
U.S. Government Money Market	14,606	14,606	-
	<u>\$ 4,898,571</u>	<u>\$ 3,790,335</u>	<u>\$1,108,236</u>

The weighted average maturity of investments is .23 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The District's investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,792,179	57.00
FHLB	494,375	10.09
FNMA	592,700	12.10
FHLM	1,004,711	20.51
U.S. Government Money Market	14,606	0.30
	<u>\$ 4,898,571</u>	<u>100.00</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of June 30, 2005:

<u>Cash and investments per footnote</u>	
Carrying amount of deposits	\$ (18,519)
Investments	4,898,571
Cash on hand	<u>2,655</u>
Total	<u>\$ 4,882,707</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Cash and investments per Statement of Net Assets</u>	
Governmental activities	\$ 4,805,912
Business type activities	53,654
Agency funds	<u>23,141</u>
Total	<u>\$ 4,882,707</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund transfers for the year ended June 30, 2005, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 45,338

- B. Interfund balances at June 30, 2005 as reported on the fund statements consist of the following individual interfund loan receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	
General	Nonmajor governmental funds	\$ 26,458

This interfund balance will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

NOTE 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 2005 represents collections of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed value listed as of January 1, 2004, 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 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004 and are collected in 2005 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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 6 - PROPERTY TAXES - (Continued)

Tangible personal property tax revenue received during calendar 2005 (other than public utility property) represents the collection of 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, 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-four 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 Richland, Huron and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005 are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2005 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, 2005 was \$136,181 in the general fund, \$14,942 in the debt service fund and \$2,541 in the maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2004 was \$147,567 in the general fund, \$18,739 in the debt service fund, and \$2,608 in the maintenance 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 2005 taxes were collected are:

	2004 Second Half Collections		2005 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 49,339,950	89.81	\$ 50,167,860	89.69
Public utility personal	4,131,430	7.52	4,192,460	7.50
Tangible personal property	<u>1,469,370</u>	<u>2.67</u>	<u>1,571,440</u>	<u>2.81</u>
Total	<u>\$ 54,940,750</u>	<u>100.00</u>	<u>\$ 55,931,760</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.70		\$ 40.30	

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax at the May 8, 1990, election which became effective January 1, 1991. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2005 was \$663,323.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2005 consisted of taxes, accrued interest, 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 items of receivables reported on the Statement of Net Assets follows:

Governmental Activities:

Taxes	\$ 1,986,804
Accrued interest	3,067
Intergovernmental	<u>108,011</u>
Total	<u><u>\$ 2,097,882</u></u>

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

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance 6/30/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 06/30/05</u>
Governmental Activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 64,810	\$ -	\$ -	\$ 64,810
Total capital assets, not being depreciated	<u>64,810</u>	<u>-</u>	<u>-</u>	<u>64,810</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	586,752	-	-	586,752
Buildings and improvements	13,006,074	-	-	13,006,074
Furniture and equipment	905,159	28,913	-	934,072
Vehicles	<u>647,734</u>	<u>-</u>	<u>(12,162)</u>	<u>635,572</u>
Total capital assets, being depreciated	<u>15,145,719</u>	<u>28,913</u>	<u>(12,162)</u>	<u>15,162,470</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(178,912)	(33,380)	-	(212,292)
Buildings and improvements	(1,590,059)	(309,608)	-	(1,899,667)
Furniture and equipment	(387,857)	(94,838)	-	(482,695)
Vehicles	<u>(426,501)</u>	<u>(49,198)</u>	<u>12,162</u>	<u>(463,537)</u>
Total accumulated depreciation	<u>(2,583,329)</u>	<u>(487,024)</u>	<u>12,162</u>	<u>(3,058,191)</u>
Governmental activities capital assets, net	<u><u>\$ 12,627,200</u></u>	<u><u>\$ (458,111)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,169,089</u></u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 240,154
Special	19,350
Vocational	19,517
 <u>Support Services:</u>	
Pupil	2,165
Instructional staff	31,571
Administration	12,133
Operations and maintenance	61,194
Pupil transportation	43,936
Extracurricular activities	28,414
Food service operations	<u>28,590</u>
Total depreciation expense	<u>\$ 487,024</u>

NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into capitalized leases for the acquisition of computers and monitors. These lease agreements meet the criteria of 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 financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$123,115. 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. Principal payments in fiscal year 2005 totaled \$43,188 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, 2005:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2006	\$ 15,432
Less amount representing interest	<u>(255)</u>
Total	<u>\$ 15,177</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 11 - LONG-TERM OBLIGATIONS

- A. During fiscal year 2000, the District issued \$1,761,000 in general obligation bonds to provide long-term financing for the renovation of the elementary school and the construction of a new middle school/ high school building. These bonds bear an annual interest rate of 5.0% and mature in fiscal year 2024.

Payments of principal and interest relating to this liability are recorded as an expenditure in the debt service fund. The unmaturing obligation at year-end is accounted for in the governmental activities long-term obligations.

The following is a description of the District's general obligation bonds outstanding as of June 30, 2005.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding 06/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/05</u>	<u>Amounts Due in One Year</u>
General obligation bond payable -							
Facilities Building	5.00%	12/01/23	\$ 1,615,000	\$ -	\$ (50,000)	\$ 1,565,000	\$ 50,000
Total			<u>\$ 1,615,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 1,565,000</u>	<u>\$ 50,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the general obligation bonds:

<u>Year Ending June 30</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2006	\$ 50,000	\$ 95,288	\$ 145,288
2007	55,000	92,439	147,439
2008	55,000	89,428	144,428
2009	60,000	86,250	146,250
2010	60,000	82,905	142,905
2011 - 2015	375,000	352,470	727,470
2016 - 2020	515,000	204,650	719,650
2021 - 2023	<u>395,000</u>	<u>38,165</u>	<u>433,165</u>
Total	<u>\$ 1,565,000</u>	<u>\$ 1,041,595</u>	<u>\$ 2,606,595</u>

- B. A summary of the energy conservation note transactions for the year ended June 30, 2005, follows:

<u>General Fund</u>	<u>Principal Outstanding June 30, 2004</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2005</u>
Energy Conservation Note - 5.80%	<u>\$ 41,168</u>	<u>\$ (41,168)</u>	<u>\$ -</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The District has issued an energy conservation note to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to this liability are recorded in the general fund.

- C. During the fiscal year 2005, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding <u>June 30, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2005</u>	Amount Due in <u>One Year</u>
Governmental Activities:					
Energy conservation note payable	\$ 41,168	\$ -	\$ (41,168)	\$ -	\$ -
Capital lease payable	58,365	-	(43,188)	15,177	15,177
Compensated absences	385,592	119,187	(63,332)	441,447	31,816
Early retirement incentive (see Note 12B)	106,222	-	(9,900)	96,322	41,386
General obligation bonds payable	<u>1,615,000</u>	<u>-</u>	<u>(50,000)</u>	<u>1,565,000</u>	<u>50,000</u>
Total long-term obligations, governmental activities	<u>\$ 2,206,347</u>	<u>\$ 119,187</u>	<u>\$ (207,588)</u>	<u>\$ 2,117,946</u>	<u>\$ 138,379</u>

D. Legal Debt Margin

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

The effects of these debt limitations at June 30, 2005 are a voted debt margin of \$3,696,423 and an unvoted debt margin of \$55,932.

NOTE 12 - EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can accumulate vacation for up to 3 years at the end of his contract, and the Treasurer who can accumulate vacation for up to 2 years at the end of her contract. Teachers do not earn vacation time.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 12 - EMPLOYEE BENEFITS - (Continued)

Administrators, teachers, and classified employees earn sick leave at a rate as follows: for 199 days or less, accumulated payment is made for 25% of sick leave balance; for over 199 days, payment is made for 27% of sick leave balance to a maximum of 76 days. Payment of severance shall be paid at time of retirement after all requirements of eligibility have been met.

Calamity days are paid for certified, cooks, and bus driver employees. Up to five days per year are provided under this benefit.

Personal leave days are available to all employees at the rate of three days annually. Any unused personal days are converted to sick days.

B. Early Retirement Incentive

The District provides an early retirement incentive plan (ERIP) for State Teachers Retirement System (STRS) employees who are fifty years old by his or her retirement date or the termination of the ERIP and are eligible for retirement under STRS criteria. Under the ERIP, the District will purchase up to two years of retirement service credit in lieu of severance. The ERIP was in effect from June 30, 2001 through May 31, 2002, and from June 1, 2002 through May 31, 2003. Employees enrolled in the ERIP had to notify the District by February 15, 2001, stating his or her intention to retire beginning June 1, 2001 through May 31, 2003. The number of years purchased for any eligible STRS member may not exceed one-fifth of the individual's accumulated service credit prior to the purchase, or a total of two years, whichever is less.

Any STRS member who elects to retire under the ERIP will receive his or her cash payment in lieu of severance based upon the following:

1. Fifty percent payment will be made within thirty days of the thirty-sixth month after the effective date of retirement.
2. Fifty percent payment will be made within thirty days of the forty-eighth month after the effective date of retirement.

As of June 30, 2004, eight employees elected to participate in the ERIP. The liability for employees accepting the ERIP is represented as: "Early Retirement Incentive Payable" in the fund financial statements.

NOTE 13 - RISK MANAGEMENT

A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2005, the District contracted with a commercial insurer for building and personal property coverage in the blanket amount of \$24,956,786, 100% coinsurance, replacement cost endorsement and a \$1,000 deductible.

Vehicles are covered by a policy, which provides for a \$500 deductible for comprehensive and a \$500 deductible for collision. Vehicle liability has a \$2,000,000 combined single limit of liability. The District maintains coverage of \$1,000,000 for uninsured/underinsured motorists.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 13 - RISK MANAGEMENT - (Continued)

The general liability coverage involves a \$2,000,000 single occurrence limit and \$4,000,000 general aggregate limit with no deductible. An umbrella liability coverage is provided above the previously stated base liability coverages for general and fleet liability in the amount of \$5,000,000 with no deductible.

B. Employee Dishonesty Bonds

The District carries employee dishonesty bonds for the Treasurer, Superintendent, and Board President in the amount of \$25,000. An employee blanket dishonesty bond in the amount of \$25,000 is provided to cover all other employees of the District.

C. Workers' Compensation

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

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The worker's compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Sheakley provides administrative, cost control and actuarial services to the GRP.

D. Employee Group Life, Medical, Dental, and Vision Insurance

The District provides life insurance and accidental death and dismemberment insurance to all regular contracted employees through Sun Life in the amount of \$20,000; the Superintendent's coverage is in the amount of \$50,000.

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in insurance coverage from the prior year.

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. Employees are offered a choice of two packages that provide a comprehensive medical plan. The medical plan and prescription drug card are administered by Medical Mutual of Ohio located in Cleveland, Ohio.

Beginning in fiscal year 2004, the District elected to provide dental coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$19.96 for single and \$53.89 for family coverage. This premium includes the employee portion, which is paid by the District. Like the medical premium, this amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 13 - RISK MANAGEMENT - (Continued)

The claims liability of \$6,342 reported in the fund at June 30, 2005, is based on the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District’s third party administrator. Changes in the fund’s claims liability for the current and prior fiscal year are as follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2005	\$ 5,129	\$ 46,886	\$(45,673)	\$ 6,342
2004	0	41,980	(36,851)	5,129

The District also provides vision coverage for its employees on a fully-insured basis through Reliance Standard. The total monthly premium is \$9.88 for single coverage and \$21.88 for family coverage. This premium includes the employee portion, which is paid by the District. This amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement.

The above employee portions of premiums for medical, dental and vision insurance are for full-time employees. Current part-time employees already enrolled in the plan may pay pro-rated premiums for coverage; however, new staff must be full-time to be eligible for coverage.

NOTE 14 - DEFINED BENEFIT PENSION PLAN

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 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 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09% 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 for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 were \$141,663, \$150,523 and \$147,955, respectively; 44.13% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$79,152 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - DEFINED BENEFIT PENSION PLAN - (Continued)

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (614) 227-4090, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2005 and 2004, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$488,410, \$470,178, and \$463,143, respectively; 83.65% has been contributed for fiscal year 2005 and 100% for the fiscal years 2004 and 2003. \$79,876 represents the unpaid contribution for fiscal year 2005 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2005 were \$515 made by the District and \$494 made by plan members.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 14 - DEFINED BENEFIT PENSION PLAN - (Continued)

C. Social Security System

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

NOTE 15 - 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% of covered payroll. For fiscal year 2005, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Stabilization Fund. For the District, this amount equaled \$34,886 during fiscal 2005.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.1 billion at June 30, 2004 (the latest information available). For the fiscal year ended June 30, 2004 (the latest information available), 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% for those who apply.

For fiscal year 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses, before premium deduction. Gross expenses for health care at June 30, 2004 (the latest information available) were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, (the latest information available) SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$51,305 during the 2005 fiscal year.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of 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

	<u>General Fund</u>
Budget basis	\$ 225,901
Net adjustment for revenue accruals	64,733
Net adjustment for expenditure accruals	(3,883)
Net adjustment for other sources/uses	9,446
Adjustment for encumbrances	<u>146,501</u>
GAAP basis	<u>\$ 442,698</u>

NOTE 17 - 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.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

NOTE 17 - CONTINGENCIES - (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.

NOTE 18 - GROUP PURCHASING POOL

The District is a member of the Metropolitan Educational Council (MEC) purchasing group. The following items are purchased through this group discount program; custodial products, food service products, audio visual bulbs, and certain paper products. The MEC also provides a Self-Help Gas Program where members save significant amounts on natural gas purchases.

NOTE 19 - 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, 2005, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2004	\$ (275,512)	\$ (1,547,311)	\$ 50,385
Current year set-aside requirement	137,508	137,508	-
Qualifying disbursements	<u>(189,138)</u>	<u>(129,342)</u>	<u>-</u>
Total	<u>\$ (327,142)</u>	<u>\$ (1,539,145)</u>	<u>\$ 50,385</u>
Cash balance carried forward to FY 2006	<u>\$ (327,142)</u>	<u>\$ (1,539,145)</u>	<u>\$ 50,385</u>

Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

The District had prior year carry forward and qualifying disbursements during the year that reduced the set-aside amount below zero for both the textbooks and capital acquisition reserves, these extra amounts may be used to reduce the set-aside requirement for future years. The negative amounts are therefore presented as being carried forward to the next fiscal year.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

NOTE 19 - STATUTORY RESERVES - (Continued)

A schedule of the restricted assets at June 30, 2005 follows:

Amounts restricted for BWC refunds	\$ 50,385
Amounts restricted for school bus purchases	<u>19,399</u>
Total restricted assets	<u>\$ 69,784</u>

NOTE 20 - LAND LEASE AGREEMENT

In fiscal year 2001, the District entered into a lease agreement for the use of 148.5 acres of land from the Muller-Hauss-Van Aken Farms L.P. The term of the lease is for a period of fifty years commencing on May 2, 2001, and ending on April 30, 2051, unless otherwise terminated or extended as permitted by the agreement. There is a clause allowing for an additional fifty year extension after April 30, 2051 if agreed upon by both parties. The District shall pay Muller-Hauss-Van Aken Farms L.P. \$29,700 annually on this lease. Muller-Hauss-Von Aken Farms L.P. retains title to the property.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(D) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(D) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Nutrition Cluster:						
(A),(B) Food Donation	10.550	N/A	\$ -	\$ 44,646	\$ -	\$ 44,646
(A),(C) School Breakfast Program	10.553	049460-05-PU-2004	15,122	-	15,122	-
(A),(C) School Breakfast Program	10.553	049460-05-PU-2005	36,642	-	36,642	-
(A),(C) National School Lunch Program	10.555	049460-LLP4-2004	41,991	-	41,991	-
(A),(C) National School Lunch Program	10.555	049460-LLP4-2005	106,434	-	106,434	-
Total U.S. Department of Agriculture and Nutrition Cluster			200,189	44,646	200,189	44,646
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE N/A						
Twenty-First Century Community Learning Centers	84.287	N/A	146,005	-	71,782	-
PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I - Grants to Local Educational Agencies	84.010	049460-C1-S1-2004	18,867	-	53,340	-
Title I - Grants to Local Educational Agencies	84.010	049460-C1-S1-2005	304,351	-	283,951	-
Total Title I - Grants to Local Educational Agencies			323,218	-	337,291	-
Special Education: Grants to States	84.027	049460-6B-SF-2004-P	-	-	19,396	-
Special Education: Grants to States	84.027	049460-6B-SF-2005-P	161,578	-	155,320	-
Total Special Education: Grants to States			161,578	-	174,716	-
Safe and Drug-Free Schools and Communities - State Grants	84.186	049460-DR-S1-2005	8,548	-	8,548	-
State Grants for Innovative Programs	84.298	049460-C2-S1-2004	-	-	270	-
State Grants for Innovative Programs	84.298	049460-C2-S1-2005	3,598	-	3,213	-
Total State Grants for Innovative Programs			3,598	-	3,483	-
Education Technology State Grants	84.318	049460-TJ-S1-2004	-	-	371	-
Education Technology State Grants	84.318	049460-TJ-S1-2005	8,173	-	9,083	-
Total Education Technology State Grants			8,173	-	9,454	-
Rural Education	84.358	049460-RU-S1-2005	-	-	3,383	-
Improving Teacher Quality State Grants	84.367	049460-TR-S1-2004	3,010	-	12,619	-
Improving Teacher Quality State Grants	84.367	049460-TR-S1-2005	65,169	-	59,442	-
Total Improving Teacher Quality State Grants			68,179	-	72,061	-
Total U.S. Department of Education			719,299	-	680,718	-
Total Federal Financial Assistance			\$ 919,488	\$ 44,646	\$ 880,907	\$ 44,646

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



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

Board of Education
Plymouth-Shiloh Local School District
365 Sandusky Street
Plymouth, Ohio 44865

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the Plymouth-Shiloh Local School District, Richland County, (the "District"), as of and for the fiscal year ended June 30, 2005, which collectively comprise the basic financial statements and have issued our report thereon dated November 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, "Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers" for the fiscal year ended June 30, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

Board of Education
Plymouth-Shiloh Local School District

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of the Plymouth-Shiloh Local School District and 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.



Julian & Grube, Inc.
November 30, 2005



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333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

Board of Education
Plymouth-Shiloh Local School District
365 Sandusky Street
Plymouth, Ohio 44865

Compliance

We have audited the compliance of Plymouth-Shiloh Local School District, Richland County, (the “District”), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the fiscal year ended June 30, 2005. As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, “Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers” for the fiscal year ended June 30, 2005. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education
Plymouth-Shiloh Local School District

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the fiscal year ended June 30, 2005.

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 the 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 reportable 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 caused by error or fraud 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 solely for the information and use of management, the Board of Education of Plymouth-Shiloh Local School District, 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.



Julian & Grube, Inc.
November 30, 2005

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

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

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT
RICHLAND COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2005**

**2. FINDING RELATED TO THE BASIC FINANCIAL
STATEMENTS REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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PLYMOUTH – SHILOH LOCAL SCHOOL DISTRICT

RICHLAND 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
JANUARY 19, 2006**