

**WOODMORE LOCAL
SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006***

ANNE ARNOLD, TREASURER



Mary Taylor, CPA
Auditor of State

Board of Education
Woodmore Local School District
708 W. Main Street
Woodville, Ohio 43469

We have reviewed the *Independent Auditor's Report* of the Woodmore Local School District, Sandusky County, prepared by Julian and Grube, Inc., for the audit period July 1, 2005 through June 30, 2006. 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 Woodmore Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 7, 2007

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**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

Board of Education
Woodmore Local School District
708 W. Main Street
Woodville, OH 43469-0108

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Woodmore Local School District, Sandusky County (the "District") as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Woodmore Local School 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, each major fund, and the aggregate remaining fund information of the Woodmore Local School District, Sandusky County, Ohio, as of June 30, 2006, and the respective changes in financial position 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2006, 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 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 Woodmore Local School 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 Woodmore Local School 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.
December 1, 2006

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The management's discussion and analysis of the Woodmore Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2006. 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 2006 are as follows:

- In total, net assets of governmental activities increased \$169,451 which represents a 3.34% increase from 2005.
- General revenues accounted for \$8,779,170 in revenue or 87.29% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,278,802 or 12.71% of total revenues of \$10,057,972.
- The District had \$9,888,521 in expenses related to governmental activities; \$1,278,802 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$8,779,170 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$8,265,780 in revenues and \$8,364,480 in expenditures and other financing uses. During fiscal year 2006, the general fund's fund balance decreased \$98,700 from \$452,634 to \$353,934.
- The debt service fund had \$549,520 in revenues and \$550,523 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$1,003 from \$367,336 to \$366,333.

Using these Basic Financial Statements

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

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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 2006?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22-48 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 2006 and 2005.

	Net Assets	
	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Assets</u>		
Current and other assets	\$ 6,624,471	\$ 6,285,228
Capital assets, net	<u>5,902,775</u>	<u>6,065,101</u>
Total assets	<u>12,527,246</u>	<u>12,350,329</u>
<u>Liabilities</u>		
Current liabilities	5,240,964	4,801,795
Long-term liabilities	<u>2,040,088</u>	<u>2,471,791</u>
Total liabilities	<u>7,281,052</u>	<u>7,273,586</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,994,042	5,114,181
Restricted	891,299	898,073
Unrestricted (deficit)	<u>(639,147)</u>	<u>(935,511)</u>
Total net assets	<u>\$ 5,246,194</u>	<u>\$ 5,076,743</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2006, the District's assets exceeded liabilities by \$5,246,194. Of this total, \$891,299 is restricted in use.

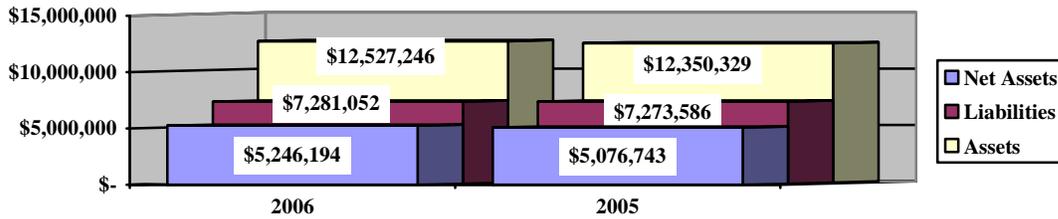
**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

At fiscal year-end, capital assets represented 47.12% 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, 2006, were \$4,994,042. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$891,299, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$639,147.

Governmental Activities



The table below shows the change in net assets for fiscal year 2006 and 2005.

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 665,603	\$ 637,900
Operating grants and contributions	613,199	638,150
Capital grants and contributions	-	20,065
General revenues:		
Property taxes	4,662,466	4,650,888
Grants and entitlements	3,827,252	3,795,545
Payment in lieu of taxes	220,832	229,480
Investment earnings	55,134	31,413
Other	<u>13,486</u>	<u>3,047</u>
Total revenues	<u>10,057,972</u>	<u>10,006,488</u>

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Change in Net Assets

	Governmental Activities <u>2006</u>	Governmental Activities <u>2005</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 4,383,793	\$ 4,299,397
Special	961,575	965,999
Vocational	10,978	78,332
Other	370,520	379,976
Support services:		
Pupil	561,367	632,790
Instructional staff	211,470	179,975
Board of education	130,402	83,376
Administration	807,647	810,730
Fiscal	292,670	322,384
Operations and maintenance	866,520	841,249
Pupil transportation	432,471	498,154
Operation of non instructional services:		
Non-instructional services	73,516	89,638
Food service operations	360,964	351,078
Extracurricular activities	339,814	338,527
Interest and fiscal charges	<u>84,814</u>	<u>132,654</u>
Total expenses	<u>9,888,521</u>	<u>10,004,259</u>
Change in net assets	169,451	2,229
Net assets at beginning of year	<u>5,076,743</u>	<u>5,074,514</u>
Net assets at end of year	<u>\$ 5,246,194</u>	<u>\$ 5,076,743</u>

Governmental Activities

Net assets of the District's governmental activities increased \$169,451. Total governmental expenses of \$9,888,521 were offset by program revenues of \$1,278,802 and general revenues of \$8,779,170. Program revenues supported 12.93% of the total governmental expenses.

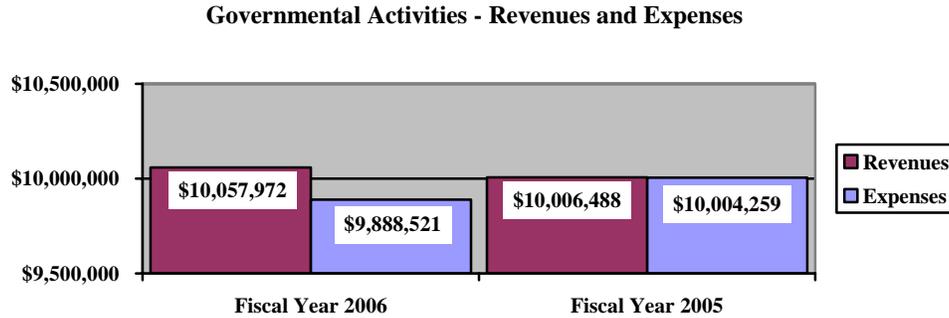
The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 84.41% of total governmental revenue.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$5,726,866 or 57.91% of total governmental expenses for fiscal year 2006.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2006 and 2005.



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2006</u>	Net Cost of Services <u>2006</u>	Total Cost of Services <u>2005</u>	Net Cost of Services <u>2005</u>
Program expenses				
Instruction:				
Regular	\$ 4,383,793	\$ 4,118,911	\$ 4,299,397	\$ 4,035,317
Special	961,575	792,584	965,999	796,273
Vocational	10,978	10,978	78,332	78,332
Other	370,520	362,520	379,976	379,976
Support services:				
Pupil	561,367	459,299	632,790	485,000
Instructional staff	211,470	192,519	179,975	144,383
Board of education	130,402	130,402	83,376	83,376
Administration	807,647	737,472	810,730	785,243
Fiscal	292,670	292,670	322,384	322,219
Operations and maintenance	866,520	850,075	841,249	819,558
Pupil transportation	432,471	405,795	498,154	461,562
Operations of non-instructional services:				
Non-instructional services	73,516	(15,042)	89,638	16,249
Food service operations	360,964	(6,258)	351,078	(3,605)
Extracurricular activities	339,814	192,980	338,527	171,607
Interest and fiscal charges	84,814	84,814	132,654	132,654
Total expenses	<u>\$ 9,888,521</u>	<u>\$ 8,609,719</u>	<u>\$ 10,004,259</u>	<u>\$ 8,708,144</u>

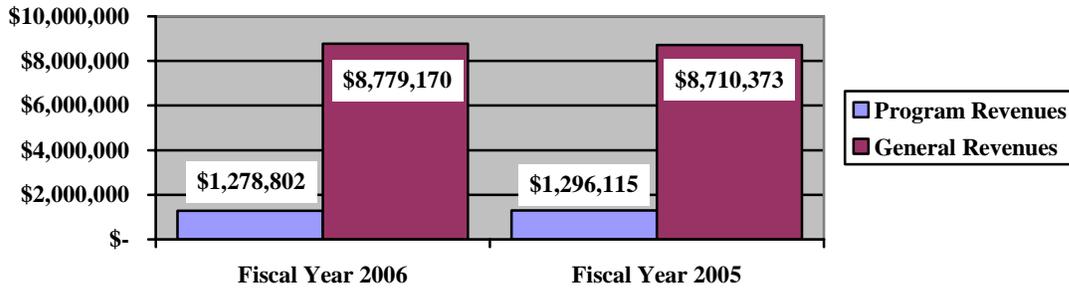
The dependence upon tax and other general revenues for governmental activities is apparent, 92.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 87.07%. The District's taxpayers, as a whole, are by far the primary support for District's students.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The graph below presents the District's governmental activities revenue for fiscal year 2006 and 2005.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$960,008, which is lower than last year's total of \$1,126,807. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2006 and 2005.

	Fund Balance <u>June 30, 2006</u>	Fund Balance <u>June 30, 2005</u>	<u>Decrease</u>	<u>Percentage Change</u>
General	\$ 353,934	\$ 452,634	\$ (98,700)	(21.81) %
Debt Service	366,333	367,336	(1,003)	(0.27) %
Other Governmental	<u>239,741</u>	<u>306,837</u>	<u>(67,096)</u>	(21.87) %
Total	<u>\$ 960,008</u>	<u>\$ 1,126,807</u>	<u>\$ (166,799)</u>	(14.80) %

General Fund

The District's general fund balance decreased \$98,700. The decrease in fund balance can be attributed to several items related to expenditures exceeding revenues. Expenditures exceed revenues for fiscal year 2006 by \$98,461. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>2006</u> <u>Amount</u>	<u>2005</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 4,040,867	\$ 3,969,059	\$ 71,808	1.81 %
Tuition	147,784	113,310	34,474	30.42 %
Earnings on investments	54,513	31,006	23,507	75.81 %
Intergovernmental	3,756,184	3,742,531	13,653	0.36 %
Other revenues	<u>266,432</u>	<u>264,174</u>	<u>2,258</u>	0.85 %
Total	<u>\$ 8,265,780</u>	<u>\$ 8,120,080</u>	<u>\$ 145,700</u>	1.79 %
<u>Expenditures</u>				
Instruction	\$ 5,309,360	\$ 5,324,710	\$ (15,350)	(0.29) %
Support services	2,857,357	2,844,766	12,591	0.44 %
Extracurricular activities	191,049	183,508	7,541	4.11 %
Debt service	<u>6,475</u>	<u>6,475</u>	<u>-</u>	- %
Total	<u>\$ 8,364,241</u>	<u>\$ 8,359,459</u>	<u>\$ 4,782</u>	0.06 %

The increase in tuition revenue is due to an increase in open enrollment students. The increase in earnings on investments can be attributed to an increase in interest rates at the Federal Reserve Bank. The increase in support services expenditures is primarily due to an increase in salaries and benefits.

Debt Service Fund

The debt service fund had \$549,520 in revenues and \$550,523 in expenditures. During fiscal year 2006, the debt service fund's fund balance decreased \$1,003 from \$367,336 to \$366,333.

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 year 2006, the District did not amend its general fund budget in total during the year. For the general fund, original and final budgeted revenues and other financing sources were \$8,108,656. Actual revenues and other financing sources for fiscal year 2006 was \$8,335,077. This represents a \$226,421 increase from final budgeted revenues.

General fund original and final appropriations (appropriated expenditures including other financing uses) were \$8,660,392. The actual budget basis expenditures for fiscal year 2006 totaled \$8,606,132, which was \$54,260 less than the final budget appropriations.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the District had \$5,902,775 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal year 2006 balances compared to the amount of capital assets in 2005.

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

	Governmental Activities	
	2006	2005
Land	\$ 174,516	\$ 174,516
Land improvements	17,939	-
Building and improvements	5,235,371	5,407,548
Furniture and equipment	268,405	283,265
Vehicles	206,544	199,772
Total	<u>\$ 5,902,775</u>	<u>\$ 6,065,101</u>

The overall decrease in capital assets of \$162,326 is due to depreciation expense of \$295,934 exceeding capital outlays of \$133,608 in the fiscal year.

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

Debt Administration

At June 30, 2006, the District had \$1,360,000 in general obligation bonds outstanding. Of this total, \$480,000 is due within one year and \$880,000 is due within greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	2006	2005
General obligation bonds	\$ 1,360,000	\$ 1,815,287
Total	<u>\$ 1,360,000</u>	<u>\$ 1,815,287</u>

At June 30, 2006, the District's overall legal debt margin was \$12,317,744, and an unvoted debt margin of \$142,890.

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

Current Financial Related Activities

The District has continued to maintain high standards of service to our students and community. We are currently making arrangements to move our central office out of the elementary building into another location we are leasing. This will make additional room for all-day kindergarten and also to possibly bring additional programs back into the district. The District is continuing to monitor its financial future in order to optimize the dollars available for educating the students it serves and to minimize any future millage amounts needed periodically from the citizens of this community.

At this point, we are facing a deficit balance for fiscal year 2009. In Calendar Year 2006 our 4.0 Mill Operating Levy that was originally passed in 1994 would expire. On November 7, 2006, the voters approved a 4.0 Mill, 5 year replacement levy. The district is still looking at all areas to reduce expenditures and plans to have another \$150,000 in savings for the 2007-08 school year. With Board support, the current five year budget is being carefully monitored to prepare and lessen the burden on taxpayers when we evaluate our levy needs in 2009.

In 2006, a Strategic Plan for the district that involves community members, staff, administration and board members was approved. Through this process we are hoping to improve efficiency, community relations and better our district's performance. We will now continue to maintain that plan and move forward.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Anne Arnold, Treasurer, Woodmore Local School District, 708 West Main Street, Woodville, Ohio 43469-1018.

**BASIC
FINANCIAL STATEMENTS**

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2006

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents. . .	\$ 1,284,301
Receivables:	
Taxes	5,035,432
Intergovernmental	272,977
Prepayments	8,119
Materials and supplies inventory	23,642
Capital assets:	
Land	174,516
Depreciable capital assets, net	5,728,259
Capital assets, net	<u>5,902,775</u>
 Total assets.	 <u>12,527,246</u>
Liabilities:	
Accounts payable.	40,362
Accrued wages and benefits	732,480
Pension obligation payable.	207,153
Intergovernmental payable	74,750
Deferred revenue	4,181,925
Accrued interest payable	4,294
Long-term liabilities:	
Due within one year.	551,853
Due in more than one year	1,488,235
 Total liabilities	 <u>7,281,052</u>
Net Assets:	
Invested in capital assets, net of related debt.	4,994,042
Restricted for:	
Capital projects	139,872
Debt service.	374,321
Locally funded projects.	1,769
State funded projects.	46,965
Federally funded projects.	182,620
Student activities.	143,381
Other purposes	2,371
Unrestricted (deficit)	<u>(639,147)</u>
 Total net assets	 <u>\$ 5,246,194</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 4,383,793	\$ 227,598	\$ 37,284	\$ (4,118,911)
Special	961,575	-	168,991	(792,584)
Vocational	10,978	-	-	(10,978)
Other	370,520	-	8,000	(362,520)
Support services:				
Pupil	561,367	-	102,068	(459,299)
Instructional staff	211,470	-	18,951	(192,519)
Board of education	130,402	-	-	(130,402)
Administration	807,647	-	70,175	(737,472)
Fiscal	292,670	-	-	(292,670)
Operations and maintenance	866,520	6,496	9,949	(850,075)
Pupil transportation	432,471	14,603	12,073	(405,795)
Operation of non-instructional:				
Non-instructional services	73,516	-	88,558	15,042
Food service operations	360,964	270,072	97,150	6,258
Extracurricular activities	339,814	146,834	-	(192,980)
Interest and fiscal charges	84,814	-	-	(84,814)
Total governmental activities	<u>\$ 9,888,521</u>	<u>\$ 665,603</u>	<u>\$ 613,199</u>	<u>(8,609,719)</u>

General Revenues:

Property taxes levied for:	
General purposes	4,055,755
Debt service	490,665
Capital projects	116,046
Grants and entitlements not restricted	
to specific programs	3,827,252
Payment in lieu of taxes	220,832
Investment earnings	55,134
Miscellaneous	13,486
Total general revenues	<u>8,779,170</u>
Change in net assets	169,451
Net assets at beginning of year	<u>5,076,743</u>
Net assets at end of year	<u>\$ 5,246,194</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 659,789	\$ 287,810	\$ 336,702	\$ 1,284,301
Receivables:				
Taxes	4,438,746	482,532	114,154	5,035,432
Intergovernmental	-	-	272,977	272,977
Interfund receivable	81,004	-	-	81,004
Prepayments	8,119	-	-	8,119
Materials and supplies inventory	14,891	-	8,751	23,642
Advances to other funds	1,462	1,495	-	2,957
Total assets	<u>\$ 5,204,011</u>	<u>\$ 771,837</u>	<u>\$ 732,584</u>	<u>\$ 6,708,432</u>
Liabilities:				
Accounts payable	\$ 34,398	\$ -	\$ 5,964	\$ 40,362
Accrued wages and benefits	722,428	-	10,052	732,480
Compensated absences payable	39,610	-	-	39,610
Pension obligation payable	171,184	-	35,969	207,153
Intergovernmental payable	72,980	-	1,770	74,750
Interfund payable	-	-	81,004	81,004
Advances from other funds	1,495	-	1,462	2,957
Deferred revenue	3,807,982	405,504	356,622	4,570,108
Total liabilities	<u>4,850,077</u>	<u>405,504</u>	<u>492,843</u>	<u>5,748,424</u>
Fund Balances:				
Reserved for encumbrances	109,253	-	121,626	230,879
Reserved for materials and supplies inventory	14,891	-	8,751	23,642
Reserved for prepayments	8,119	-	-	8,119
Reserved for property tax unavailable for appropriation	630,764	77,028	17,937	725,729
Reserved for advances	1,462	1,495	-	2,957
Reserved for debt service	-	287,810	-	287,810
Unreserved, undesignated (deficit), reported in:				
General fund	(410,555)	-	-	(410,555)
Special revenue funds	-	-	(17,624)	(17,624)
Capital projects funds	-	-	109,051	109,051
Total fund balances	<u>353,934</u>	<u>366,333</u>	<u>239,741</u>	<u>960,008</u>
Total liabilities and fund balances	<u>\$ 5,204,011</u>	<u>\$ 771,837</u>	<u>\$ 732,584</u>	<u>\$ 6,708,432</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

Total governmental fund balances		\$	960,008
<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.			5,902,775
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	127,778	
Intergovernmental revenue		260,405	
Total			388,183
In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest expenditures are reported when due.			(4,294)
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		(640,478)	
General obligation bonds payable		(1,360,000)	
Total			(2,000,478)
Net assets of governmental activities		\$	5,246,194

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 4,040,867	\$ 490,265	\$ 115,839	\$ 4,646,971
Tuition.	147,784	-	-	147,784
Charges for services.	-	-	270,072	270,072
Earnings on investments.	54,513	-	621	55,134
Extracurricular.	13,300	-	173,913	187,213
Classroom materials and fees	9,470	-	48,914	58,384
Other local revenues.	22,830	-	806	23,636
Payment in lieu of taxes	220,832	-	-	220,832
Intergovernmental - Intermediate.	-	-	1,400	1,400
Intergovernmental - State.	3,756,184	59,255	125,127	3,940,566
Intergovernmental - Federal	-	-	438,526	438,526
Total revenue	<u>8,265,780</u>	<u>549,520</u>	<u>1,175,218</u>	<u>9,990,518</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,150,438	-	96,260	4,246,698
Special.	780,148	-	193,234	973,382
Vocational.	8,254	-	-	8,254
Other.	370,520	-	-	370,520
Support services:				
Pupil.	450,807	-	109,304	560,111
Instructional staff	128,692	-	35,111	163,803
Board of education	126,673	-	-	126,673
Administration.	724,892	-	75,151	800,043
Fiscal	274,873	10,803	2,567	288,243
Operations and maintenance.	736,208	-	145,739	881,947
Pupil transportation	415,212	-	25,613	440,825
Operation of non-instructional services:				
Non-instructional services.	-	-	73,516	73,516
Food service operations.	-	-	341,226	341,226
Extracurricular activities.	191,049	-	144,832	335,881
Debt service:				
Principal retirement	6,094	490,000	-	496,094
Interest and fiscal charges	381	49,720	-	50,101
Total expenditures	<u>8,364,241</u>	<u>550,523</u>	<u>1,242,553</u>	<u>10,157,317</u>
Excess of revenues under expenditures	<u>(98,461)</u>	<u>(1,003)</u>	<u>(67,335)</u>	<u>(166,799)</u>
Other financing sources (uses):				
Transfers in.	-	-	239	239
Transfers (out)	(239)	-	-	(239)
Total other financing sources (uses)	<u>(239)</u>	<u>-</u>	<u>239</u>	<u>-</u>
Net change in fund balances	(98,700)	(1,003)	(67,096)	(166,799)
Fund balances at beginning of year	<u>452,634</u>	<u>367,336</u>	<u>306,837</u>	<u>1,126,807</u>
Fund balances at end of year.	<u>\$ 353,934</u>	<u>\$ 366,333</u>	<u>\$ 239,741</u>	<u>\$ 960,008</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY 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, 2006

Net change in fund balances - total governmental funds \$ (166,799)

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital asset additions	\$ 133,608	
Current year depreciation	<u>(295,934)</u>	
Total		(162,326)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	15,495	
Intergovernmental	<u>51,959</u>	
Total		67,454

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement net assets. 496,094

In the statement of activities, interest is accreted on outstanding capital appreciation bonds whereas in governmental funds, interest is expensed when due. Additional interest is reported on the statement of activities. (34,713)

Some expenses reported in the statement of activities do not require the use of financial resources and therefore are not reported as expenditures in governmental funds. (30,259)

Change in net assets of governmental activities \$ 169,451

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY 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, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 3,976,682	\$ 3,972,852	\$ 4,084,183	\$ 111,331
Tuition.	143,894	143,756	147,784	4,028
Earnings on investments.	53,078	53,027	54,513	1,486
Extracurricular.	12,950	12,937	13,300	363
Classroom materials and fees	9,221	9,212	9,470	258
Other local revenues	12,346	20,116	20,680	564
Payment in lieu of taxes	215,019	214,812	220,832	6,020
Intergovernmental - State	3,657,316	3,653,794	3,756,185	102,391
Total revenue	<u>8,080,506</u>	<u>8,080,506</u>	<u>8,306,947</u>	<u>226,441</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,300,083	4,300,083	4,149,327	150,756
Special.	743,180	743,180	803,894	(60,714)
Vocational.	5,912	5,912	17,302	(11,390)
Other.	363,660	363,660	372,819	(9,159)
Support services:				
Pupil.	463,150	463,150	461,216	1,934
Instructional staff	143,202	143,202	135,644	7,558
Board of education	141,835	141,835	131,073	10,762
Administration.	738,520	738,520	766,711	(28,191)
Fiscal	305,315	305,315	282,743	22,572
Operations and maintenance.	757,111	757,111	777,212	(20,101)
Pupil transportation	479,556	479,556	436,669	42,887
Extracurricular activities.	186,479	186,479	188,129	(1,650)
Total expenditures	<u>8,628,003</u>	<u>8,628,003</u>	<u>8,522,739</u>	<u>105,264</u>
Excess of revenues over (under) expenditures.	<u>(547,497)</u>	<u>(547,497)</u>	<u>(215,792)</u>	<u>331,705</u>
Other financing sources (uses):				
Transfers (out)	(2,389)	(2,389)	(2,389)	-
Advances in.	28,150	28,150	28,130	(20)
Advances (out)	(30,000)	(30,000)	(81,004)	(51,004)
Total other financing sources (uses)	<u>(4,239)</u>	<u>(4,239)</u>	<u>(55,263)</u>	<u>(51,024)</u>
Net change in fund balance	(551,736)	(551,736)	(271,055)	280,681
Fund balance at beginning of year	653,819	653,819	653,819	-
Prior year encumbrances appropriated	83,773	83,773	83,773	-
Fund balance at end of year.	<u>\$ 185,856</u>	<u>\$ 185,856</u>	<u>\$ 466,537</u>	<u>\$ 280,681</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 121,301	\$ 82,666
Total assets.	121,301	\$ 82,666
Liabilities:		
Due to students	-	\$ 82,666
Total liabilities	-	\$ 82,666
Net Assets:		
Held in trust for scholarships	121,301	
Total net assets	\$ 121,301	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 1,756
Gifts and contributions.	9,107
	10,863
Total additions.	10,863
Deductions:	
Scholarships awarded	10,350
	513
Change in net assets	513
Net assets at beginning of year.	120,788
Net assets at end of year	\$ 121,301

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1968. The District serves an area of approximately sixty-seven square miles. It is located in Sandusky and Ottawa Counties and includes all of the Village of Woodville and the Village of Elmore. The District is the 443rd largest in the State of Ohio among 615 school districts in terms of enrollment. It is staffed by 43 classified employees and 83 certified teaching personnel, and twelve administrative employees who provide services to 1,194 students and other community members. The District currently operates an elementary school and a middle/high school.

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 provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other 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 service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' government board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government). The following organizations are described due to their relationship to the District:

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

JOINTLY GOVERNED ORGANIZATIONS

Northern Ohio Educational Computer Association

The Northern Ohio Educational Computer Association (NOECA) is a jointly governed organization among thirty-eight school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. The NOECA assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. NOECA is governed by a Board of Directors chosen from the general membership of the NOECA Assembly. The Board of Directors consists of a representative from the fiscal agent, the chairman of each of the operating committees, and two Assembly members from each county in which participating school districts are limited to its representation on the Board. During fiscal year 2006 the District paid \$17,397 to NOECA for services. Financial information can be obtained by contacting Betty Schwiefert, who serves as controller, at 2900 South Columbus Avenue, Sandusky, Ohio 44870.

Northwestern Ohio Educational Research Council, Inc.

The research council is a jointly governed organization which serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. During fiscal year 2006, the District paid no fees to the Council.

Bay Area Council of Governments (BACG)

The BACG is a jointly governed organization. Members of the BACG consist of twenty-six school districts representing seven counties (Ottawa, Sandusky, Seneca, Erie, Huron, Wood and Crawford). The BACG was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through the council of governments are natural gas and insurance. The only cost to the District is an administrative charge if they participate in purchasing through the BACG. The BACG consists of the superintendent of each participating school district. The Board of Directors of the BACG consist of one elected representative of each county, the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer). Members of the Board serve staggered two-year terms. During fiscal year 2006, the District paid \$124,141 fees to BACG. Financial information is available from the Erie County Educational Service Center (fiscal agent), at 2900 S. Columbus Avenue, Sandusky, Ohio 44870.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Penta Career Center

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

INSURANCE PURCHASING POOLS

Ohio School Boards Association Workers’ Compensation Group Rating Plan

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

The San-Ott School Employees Welfare Benefit Association

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

Schools of Ohio Risk Sharing Authority

The District participates in the Schools of Ohio Risk Sharing Authority (SORSA) which was established in 2002 pursuant to Articles of Incorporation filed under Chapter 1702 of the Ohio Revised Code – Non-profit Corporations and functioning under the authority granted by Section 2744.081 of the Ohio Revised Code. SORSA’s purpose is to provide a joint self-insurance pool and to assist member school districts in preventing and reducing losses and injuries to property and persons which might result in claims being made against members of SORSA, their employees or officers. The District paid \$60,174 for these services to SORSA in fiscal year 2006.

A nine-person Board of Directors manages the business and affairs of SORSA and is elected annually by the members of the pool. The Board of Directors consists of superintendents, treasurers, or business managers from the participating school districts. Willis Pooling administers the pool and Fran Gates Service Company manages the claims. Financial information can be obtained from Willis Pooling, 655 Metro Place South, Dublin, Ohio 43017.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

RELATED ORGANIZATION

Harris-Elmore Public Library

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUND

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

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

Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 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 received during the year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

E. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2006 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 Sandusky County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificates issued for fiscal year 2006.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which are the legal levels of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund, function and object 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. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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, 2006, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
8. Unencumbered appropriations lapse at fiscal year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the legal level of budgetary control.

F. Cash and Investments

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

The District has invested funds in STAR Ohio during fiscal 2006. 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, 2006.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2006 amounted to \$54,513, which includes \$28,636 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

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

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

H. Capital Assets

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

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. During fiscal year 2006 the District maintains a capitalization threshold of \$2,000. 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	5 years
Buildings and improvements	10 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	10 - 15 years

I. Interfund Balances

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

J. Compensated Absences

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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, 2006, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees with at least ten years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2006, 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, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Fund Balance Reserves

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

M. Net Assets

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

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. As of June 30, 2006, net assets restricted by enabling legislation were \$0 in the statement of net assets.

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets on the balance sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

O. Nonpublic Schools

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

P. Estimates

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

Q. Interfund Activity

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2006.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 3 - ACCOUNTABILITY & COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2006, the District has implemented GASB Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation", and GASB Statement No. 47, "Accounting for Termination Benefits".

GASB Statement No. 42 amends GASB Statement No. 34 and establishes accounting and financial reporting standards for impairment of capital assets and accounting requirements for insurance recoveries.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

GASB Statement No. 47 establishes accounting standards for termination benefits.

The implementation of GASB Statement No. 42, GASB Statement No. 46 and GASB Statement No. 47 did not have an effect on the fund balances/net assets of the District as previously reported at June 30, 2005.

B. Deficit Fund Balances

Fund balances at June 30, 2006 included the following individual fund deficits:

<u>Nonmajor Funds</u>	<u>Deficit</u>
Ohio Reads	\$ 4,079
Title I - Instructional Programs - Migrant	37,091
Title VI-B	53,456
Title I - Disadvantaged Children	7,090
Title V	107
Drug Free Schools	986
Title II-A	8,381
Miscellaneous Federal Grants	65

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.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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;
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.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, 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 \$5,102 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, 2006, the carrying amount of all District deposits was \$1,288,714. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2006, \$1,115,379 of the District's bank balance of \$1,415,379 was exposed to custodial risk as discussed below, while \$300,000 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.

C. Investments

As of June 30, 2006, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity 6 months or less</u>
STAR Ohio	\$ 194,452	\$ 194,452

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: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2006:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 194,452	100.00

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, 2006:

<u>Cash and Investments per footnote</u>		
Carrying amount of deposits	\$ 1,288,714	
Investments	194,452	
Cash on hand	5,102	
Total	<u>\$ 1,488,268</u>	
 <u>Cash and investments per Statement of Net Assets</u>		
Governmental activities	\$ 1,284,301	
Private-purpose trust funds	121,301	
Agency funds	82,666	
Total	<u>\$ 1,488,268</u>	

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2006 as reported on the fund statements, consist of the following individual interfund loans receivable and payable:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 81,004

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

- B.** Loans to/from other funds at June 30, 2006 as reported on the fund statements, consisted of the following:

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

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

Loans between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2006 are reported on the statement of net assets.

- C.** Interfund transfers for the year ended June 30, 2006, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General fund	<u>\$ 239</u>

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

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

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 2006 represents collections of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed value listed as of January 1, 2005, 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.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property tax revenue received in calendar 2006 represents collections of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien December 31, 2004, were levied after April 1, 2005 and are collected in 2006 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2006 (other than public utility property) represents the collection of 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2006, on the value as of December 31, 2005. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2006-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Sandusky and Ottawa Counties. The County Auditors periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006 was \$630,764 in the general fund, \$77,028 in the debt service fund and \$17,937 in the capital projects fund (a nonmajor governmental fund). This amount has been recorded as revenue. The amount available as an advance at June 30, 2005 was \$674,080 in the general fund, \$82,220 in the debt service fund, and \$18,588 in the Permanent Improvement capital projects fund (a nonmajor governmental fund).

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2006 taxes were collected are:

	2005 Second Half Collections		2006 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 115,782,070	78.41	\$ 117,271,320	82.07
Public utility personal	6,474,750	4.38	5,374,370	3.76
Tangible personal property	<u>25,411,380</u>	<u>17.21</u>	<u>20,244,801</u>	<u>14.17</u>
Total	<u>\$ 147,668,200</u>	<u>100.00</u>	<u>\$ 142,890,491</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 53.50		\$ 51.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006 consisted of taxes and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental Activities:

Property taxes	\$ 5,035,432
Intergovernmental	<u>272,977</u>
Total	<u>\$ 5,308,409</u>

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Balance</u> <u>06/30/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/06</u>
Governmental Activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 174,516	\$ -	\$ -	\$ 174,516
Total capital assets, not being depreciated	<u>174,516</u>	<u>-</u>	<u>-</u>	<u>174,516</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	497,836	18,719	-	516,555
Buildings and improvements	8,797,974	15,003	-	8,812,977
Furniture and equipment	1,213,962	43,827	-	1,257,789
Vehicles	<u>742,774</u>	<u>56,059</u>	<u>(89,396)</u>	<u>709,437</u>
Total capital assets, being depreciated:	<u>11,252,546</u>	<u>133,608</u>	<u>(89,396)</u>	<u>11,296,758</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(497,836)	(780)	-	(498,616)
Buildings and improvements	(3,390,426)	(187,180)	-	(3,577,606)
Furniture and equipment	(930,697)	(58,687)	-	(989,384)
Vehicles	<u>(543,002)</u>	<u>(49,287)</u>	<u>89,396</u>	<u>(502,893)</u>
Total accumulated depreciation	<u>(5,361,961)</u>	<u>(295,934)</u>	<u>89,396</u>	<u>(5,568,499)</u>
Governmental activities capital assets, net	<u>\$ 6,065,101</u>	<u>\$ (162,326)</u>	<u>\$ -</u>	<u>\$ 5,902,775</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 163,322
Vocational	2,724

Support Services:

Instructional staff	29,202
Board of Education	3,729
Administration	4,136
Fiscal	2,395
Operations and maintenance	20,873
Pupil transportation	47,581
Extracurricular activities	3,560
Food service operations	<u>18,412</u>
Total depreciation expense	<u>\$ 295,934</u>

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

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

Capital assets acquired by lease have been originally capitalized in the amount of \$18,212 which represents the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2006 was \$18,212 leaving a current book value of \$0.

Principal payments in fiscal year 2006 totaled \$6,094 paid by the general fund, which retired the capital lease.

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2006, the following changes occurred in governmental activities long-term obligations:

	<u>Interest Rate</u>	<u>Balance Outstanding 06/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding 06/30/06</u>	<u>Amounts Due in One Year</u>
Governmental Activities:						
<u>General Obligation Bonds:</u>						
Current interest bonds	4.60-15.00%	\$ 880,000	\$ -	\$ -	\$ 880,000	\$ -
Capital appreciation bonds		64,826	-	(36,093)	28,733	28,733
Accreted interest on capital appreciation bonds		<u>870,461</u>	<u>34,713</u>	<u>(453,907)</u>	<u>451,267</u>	<u>451,267</u>
Total general obligation bonds payable		<u>1,815,287</u>	<u>34,713</u>	<u>(490,000)</u>	<u>1,360,000</u>	<u>480,000</u>
<u>Other Long-Term Obligations:</u>						
Capital lease obligation		6,094	-	(6,094)	-	-
Compensated absences		<u>650,410</u>	<u>100,838</u>	<u>(71,160)</u>	<u>680,088</u>	<u>71,853</u>
Total other long-term obligations		<u>656,504</u>	<u>100,838</u>	<u>(77,254)</u>	<u>680,088</u>	<u>71,853</u>
Total governmental activities long-term obligations		<u>\$ 2,471,791</u>	<u>\$ 135,551</u>	<u>\$ (567,254)</u>	<u>\$ 2,040,088</u>	<u>\$ 551,853</u>

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 10 - LONG-TERM OBLIGATIONS – (Continued)

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

This issue is comprised of both current interest bonds, par value \$5,185,000, and capital appreciation bonds, par value \$64,826. The interest rates on the current interest bonds range from 4.6% to 15.00%. The capital appreciation bonds mature on December 1, 2005 (effective interest 7.747%) and December 1, 2006 (effective interest 7.736%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2006 was \$28,733. A total of \$451,267 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2006.

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

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

Year Ending June 30	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$ -	\$ 49,720	\$ 49,720	\$ 28,733	\$ 451,267	\$ 480,000
2008	455,000	36,866	491,866	-	-	-
2009	425,000	12,006	437,006	-	-	-
Total	<u>\$ 880,000</u>	<u>\$ 98,592</u>	<u>\$ 978,592</u>	<u>\$ 28,733</u>	<u>\$ 451,267</u>	<u>\$ 480,000</u>

C. 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, 2006 are a voted debt margin of \$12,317,744 (including available funds of \$366,333) and an unvoted debt margin of \$142,890.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

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

Coverage provided by Schools of Ohio Risk Sharing (SORSA) is as follows:

- Building and Contents/Boiler and Machinery – blanket coverage building and premises, 90% coinsurance with \$1,000.00 deductible	\$ 28,768,708
- Inland Marine - Electronic Data Processing Equipment	1,250,000
- Inland Marine - Musical Equipment, electronics, uniforms	500,000
- Inland Marine - Mobile Equipment	10,700

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 11 - RISK MANAGEMENT - (Continued)

Coverage provided by Schools of Ohio Risk Sharing is as follows:

- Automobile Liability(\$1,000 deductible per person/accident)	4,000,000
- Medical Payments - per person	5,000
per accident	25,000

Coverage provided by Schools of Ohio Risk Sharing is as follows:

- General School District Liability	
● Per occurrence	4,000,000
● General Aggregate Liability	6,000,000
● Educators Legal Liability (per occurrence)	4,000,000
● Educators Legal Liability (aggregate)	4,000,000

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

B. Medical/Dental Insurance

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

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

C. Workers' Compensation Plan

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

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 were \$108,717, \$109,822 and \$98,551, respectively; 45% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$59,907 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds.

B. State Teachers Retirement System

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 12 - PENSION PLANS - (Continued)

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2006, 2005, and 2004 were \$564,500, \$563,472, and \$551,525, respectively; 83% has been contributed for fiscal year 2006 and 100% for the fiscal years 2005 and 2004. \$96,378 represents the unpaid contribution for fiscal year 2006 and is recorded as a liability within the respective funds. Contributions to the DC and Combined Plans for fiscal 2006 were \$5,736 made by the District and \$8,993 made by plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/ STRS. As of June 30, 2006, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

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

STRS retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2006, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$43,423 for fiscal year 2006.

STRS pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.3 billion. For the fiscal year ended June 30, 2005 (the latest information available), net health care costs paid by STRS were \$254.780 million and STRS had 115,395 eligible benefit recipients.

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll, a decrease of 0.01 percent from fiscal year 2005. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2006 fiscal year, District paid \$56,077 to fund health care benefits, including the surcharge.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005 (the latest information available) were \$178.221 million. At June 30, 2005 (the latest information available), SERS had net assets available for payment of health care benefits of \$267.5 million, which is about 168 percent of next years projected net health care costs of \$158.776 million. On the basis of actuarial projections, the allocated contributions will be insufficient in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 58,123 participants currently receiving health care benefits.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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	\$ (271,055)
Net adjustment for revenue accruals	(41,167)
Net adjustment for expenditure accruals	(34,754)
Net adjustment for other sources/uses	55,024
Adjustment for encumbrances	<u>193,252</u>
GAAP basis	<u>\$ (98,700)</u>

NOTE 15 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 16 - STATUTORY RESERVES

The District is required by state law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2006, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside cash balance as of June 30, 2005	\$ (43,447)	\$ -
Current year set-aside requirement	158,711	158,711
Current year offsets	-	(116,490)
Qualifying disbursements	<u>(184,102)</u>	<u>(233,136)</u>
Total	<u>\$ (68,838)</u>	<u>\$ (190,915)</u>
Cash balance carried forward to FY 2007	<u>\$ (68,838)</u>	<u>\$ -</u>

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

NOTE 17 – COMPENSATED ABSENCES

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

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

NOTE 18 – SIGNIFICANT SUBSEQUENT EVENT

On November 7, 2006, the voters passed a 4 mil, 5-year replacement levy for operations.

SUPPLEMENTAL DATA

**WOODMORE LOCAL SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

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	\$ -	\$ 36,800	\$ -	\$ 36,800
Total Food Donation			<u>-</u>	<u>36,800</u>	<u>-</u>	<u>36,800</u>
(A) (C) National School Lunch Program	10.555	049577-LLP4-2005	39,120	-	39,120	-
(A) (C) National School Lunch Program	10.555	049577-LLP4-2006	19,543	-	19,543	-
Total School Lunch Program			<u>58,663</u>	<u>-</u>	<u>58,663</u>	<u>-</u>
(A) (C) Summer Food Service Program for Children	10.559	049577-23PU-2006	419	-	419	-
(A) (C) Summer Food Service Program for Children	10.559	049577-24PU-2006	44	-	44	-
Total Summer Food Service Program for Children			<u>463</u>	<u>-</u>	<u>463</u>	<u>-</u>
Total U.S. Department of Agriculture and Nutrition Cluster			<u>59,126</u>	<u>36,800</u>	<u>59,126</u>	<u>36,800</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:						
Title I Grants to Local Educational Agencies	84.010	045977-C1S1-2005	7,186		7,226	
Title I Grants to Local Educational Agencies	84.010	045977-C1S1-2006	34,671		41,579	
Total Title I Grants to Local Educational Agencies			<u>41,857</u>		<u>48,805</u>	
Migrant Education State Grant Program	84.011	049577-MGS1-2005	109,080		121,136	
Migrant Education State Grant Program	84.011	049577-MGS1-2006	13,500		23,476	
Total Migrant Educaiton State Grant Program			<u>122,580</u>		<u>144,612</u>	
Special Education Grants to States	84.027	045977-6BSF-2005	14,859		23,258	
Special Education Grants to States	84.027	045977-6BSF-2006	136,153		187,338	
Total Special Educaiton Grants to States			<u>151,012</u>		<u>210,596</u>	
(E) Safe and Drug-Free Schools and Communities State Grants	84.186	045977-DRS1-2005	(61)		919	
Safe and Drug-Free Schools and Communities State Grants	84.186	045977-DRS1-2006	2,096		2,723	
Total Safe and Drug-Free Schools and Communities State Grant			<u>2,035</u>		<u>3,642</u>	
State Grants for Innovative Programs	84.298	045977-C2S1-2005	7,478		7,478	
State Grants for Innovative Programs	84.298	045977-C2S1-2006	3,880		3,654	
Total State Grants for Innovative Programs			<u>11,358</u>		<u>11,132</u>	
Education Technology State Grants	84.318	046821-TJS1-2004	-		600	
Education Technology State Grants	84.318	046821-TJS1-2005	-		46	
Education Technology State Grants	84.318	045977-TJS1-2006	75		140	
Total Education Technology State Grants			<u>75</u>		<u>786</u>	
Improving Teacher Quality State Grants	84.367	045977-TRSI-2004	-		57	
Improving Teacher Quality State Grants	84.367	045977-TRSI-2005	2,379		3,459	
Improving Teacher Quality State Grants	84.367	045977-TRSI-2006	12,422		20,609	
Total Improving Teacher Quality State Grants			<u>14,801</u>		<u>24,125</u>	
Total U.S. Department of Education			<u>343,718</u>		<u>443,698</u>	
Total Federal Financial Assistance			<u>\$ 402,844</u>	<u>\$ 36,800</u>	<u>\$ 502,824</u>	<u>\$ 36,800</u>

- (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.
(E) Amount of \$61 transferred to the next grant year based on Ohio Department of Education administrative action.



Julian & Grube, Inc.
Serving Ohio Local Governments

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

**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
Woodmore Local School District
708 W. Main Street
Woodville, OH 43469-0108

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Woodmore Local School District (the "District"), Sandusky County, as of and for the fiscal year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2006. 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 Woodmore Local School 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
Woodmore Local School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Woodmore Local School 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*. However, we noted certain matters that we have reported to the management of Woodmore Local School District in a separate letter dated December 1, 2006.

This report is intended solely for the information and use of the management and Board of Education of Woodmore 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.

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

Julian & Grube, Inc.
December 1, 2006



Julian & Grube, Inc.
Serving Ohio Local Governments

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 on Internal Control Over Compliance in
Accordance With OMB Circular A-133**

Board of Education
Woodmore Local School District
708 W. Main Street
Woodville, OH 43469-0108

Compliance

We have audited the compliance of the Woodmore Local School District, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the fiscal year ended June 30, 2006. The Woodmore Local School 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 Woodmore Local School District's management. Our responsibility is to express an opinion on the Woodmore Local School 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 occurred. An audit includes examining, on a test basis, evidence about Woodmore Local School 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 Woodmore Local School District's compliance with those requirements.

Board of Education
Woodmore Local School District

In our opinion, Woodmore Local School 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, 2006.

Internal Control Over Compliance

The management of Woodmore Local School 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 Woodmore Local School 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 Woodmore 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.
December 1, 2006

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

**WOODMORE LOCAL SCHOOL DISTRICT
SANDUSKY COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2006**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



Mary Taylor, CPA
Auditor of State

WOODMORE LOCAL SCHOOL DISTRICT

SANDUSKY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2007**