BASIC FINANCIAL STATEMENTS (AUDITED)

FOR THE FISCAL YEAR ENDED JUNE 30, 2007



# Mary Taylor, CPA Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Plymouth-Shiloh Local School District, Richland County, prepared by Julian and Grube, Inc., for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor, CPA Auditor of State

Mary Taylor

January 25, 2008



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### Julian & Grube, Inc.

Serving Ohio Local Governments

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

#### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plymouth-Shiloh Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Plymouth-Shiloh Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plymouth-Shiloh 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, the business-type activities, each major fund, and the aggregate remaining fund information of Plymouth-Shiloh Local School District, Richland County, Ohio, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2007, on our consideration of Plymouth-Shiloh Local School 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.

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

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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 Plymouth-Shiloh 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 Plymouth-Shiloh 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.

Julian & Grube, Inc.

December 12, 2007

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The management's discussion and analysis of Plymouth-Shiloh Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. 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 2007 are as follows:

- In total, net assets increased \$9,052,048. Net assets of governmental activities increased \$9,048,837, which represents a 60.01% increase from 2006. Net assets of business-type activities increased \$3,211 or 6.53% from 2006.
- General governmental revenues accounted for \$15,873,645 in revenue or 87.53% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,260,627 or 12.47% of total revenues of \$18,134,272.
- The District had \$9,085,435 in expenses related to governmental activities; only \$2,260,627 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,873,645 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$8,196,465 in revenues and \$7,549,173 in expenditures and other financing uses. The general fund's fund balance increased \$647,292 from \$1,602,324 to \$2,249,616.
- The classroom facilities fund had \$1,770,487 in revenues and other financing sources and \$1,710,138 in expenditures. The classroom facilities fund's fund balance increased \$60,349 from \$2,449,865 to \$2,510,214.
- Net assets for the District's enterprise fund increased \$3,211. The special enterprises fund had \$6,618 in revenues and \$3,407 in expenses.

#### **Using the Basic Financial Statements**

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

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

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### 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 2007?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the District is divided into two distinct kinds of activities:

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

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

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

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

#### Fund Financial Statements

The analysis of the District's major governmental funds and the analysis of the District's nonmajor enterprise fund begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and classroom facilities fund.

#### Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 17-21 of this report.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **Proprietary Funds**

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

#### Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The District's fiduciary activities are reported in a separate statement of fiduciary net assets on page 25. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

#### Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 26-56 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 2007 and 2006.

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		N	let Assets			
	Governmen	tal Activities	Business-Ty	pe Activities	To	otal
	2007	2006	2007	2006	2007	2006
<u>Assets</u>						
Current assets	\$16,746,038	\$ 7,945,961	\$ 53,108	\$ 49,167	\$ 16,799,146	\$ 7,995,128
Capital assets	13,086,882	11,829,350	<u> </u>	<u> </u>	13,086,882	11,829,350
Total assets	29,832,920	19,775,311	53,108	49,167	29,886,028	19,824,478
<u>Liabilities</u>						
Current liabilities	3,430,601	2,605,567	730	-	3,431,331	2,605,567
Long-term liabilities	2,275,104	2,091,366	<u> </u>	<u> </u>	2,275,104	2,091,366
Total liabilities	5,705,705	4,696,933	730		5,706,435	4,696,933
Net Assets						
Invested in capital						
assets, net of debt	11,646,880	10,314,350	-	-	11,646,880	10,314,350
Restricted	10,422,215	3,207,619	-	-	10,422,215	3,207,619
Unrestricted	2,058,120	1,556,409	52,378	49,167	2,110,498	1,605,576
Total net assets	\$ 24,127,215	\$ 15,078,378	\$ 52,378	\$ 49,167	\$ 24,179,593	\$ 15,127,545

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the District's assets exceeded liabilities by \$24,179,593, \$24,127,215 of this total is in governmental activities and \$52,378 is in business-type activities.

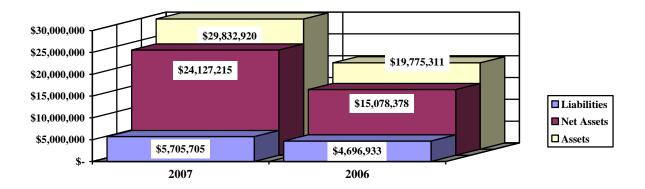
Capital assets reported on the government-wide statements represent the largest portion of the District's net assets. At year-end, capital assets represented 43.87% of total assets. Capital assets include land, construction in progress, and improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2007, were \$11,646,880 in the governmental activities. These capital assets are used to provide services to students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

As of June 30, 2007, the District is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the District's net assets, \$10,422,215, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net assets of \$2,058,120 may be used to meet the District's ongoing obligations to the students and creditors.

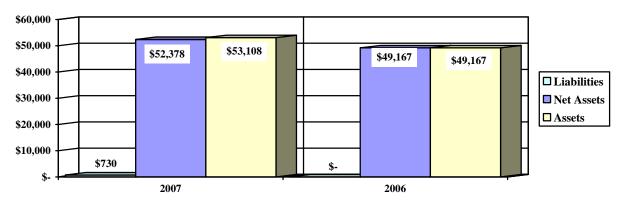
This table below provides a summary of the District's net assets for 2007 and 2006.

#### **Governmental - Net Assets**



MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

**Business-Type - Net Assets** 



The table below shows the change in net assets for governmental activities and business-type activities fiscal year 2007 and 2006.

#### **Change in Net Assets**

	Governmental Activities		Business-Type Activities		<u>Total</u>	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services and sales	\$ 827,274	\$ 753,543	\$ 6,618	\$ -	\$ 833,892	\$ 753,543
Operating grants and contributions	1,424,780	962,630	-	-	1,424,780	962,630
Capital grants and contributions	8,573	11,392	-	-	8,573	11,392
General revenues:						
Property taxes	1,769,999	1,586,230	-	-	1,769,999	1,586,230
Income taxes	783,174	719,496	-	-	783,174	719,496
Grants and entitlements	12,978,287	5,200,377	-	-	12,978,287	5,200,377
Investment earnings	337,213	222,487	-	-	337,213	222,487
Other	4,972	27,934		678	4,972	28,612
Total revenues	18,134,272	9,484,089	6,618	678	18,140,890	9,484,767

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **Change in Net Assets**

	Govern	Governmental Activities		Business-Type Activities		
	Acti					otal
	2007	2006	2007	2006	2007	2006
<u>Expenses</u>						
Program expenses:						
Instruction:						
Regular	3,573,400	3,672,176	-	-	3,573,400	3,672,176
Special	772,679	801,859	-	-	772,679	801,859
Vocational	153,876	157,261	-	-	153,876	157,261
Other	358,515	351,140	-	-	358,515	351,140
Support services:						
Pupil	423,319	411,551	-	-	423,319	411,551
Instructional staff	441,000	451,954	-	-	441,000	451,954
Board of Education	23,109	19,973	-	-	23,109	19,973
Administration	835,641	718,070	-	-	835,641	718,070
Fiscal	197,677	224,049	-	-	197,677	224,049
Business	8,436	7,386	-	-	8,436	7,386
Operations and maintenance	954,622	927,422	-	-	954,622	927,422
Pupil transportation	394,030	414,892	-	-	394,030	414,892
Central	57,259	51,509	-	-	57,259	51,509
Food service	491,964	466,948	-	-	491,964	466,948
Extracurricular activities	317,381	322,229	-	-	317,381	322,229
Interest and fiscal charges	82,527	97,622	-	-	82,527	97,622
Special enterprises	<u>-</u> _	<u> </u>	3,407	3,794	3,407	3,794
Total expenses	9,085,435	9,096,041	3,407	3,794	9,088,842	9,099,835
Changes in net assets	9,048,837	388,048	3,211	(3,116)	9,052,048	384,932
Net assets at beginning of year	15,078,378	14,690,330	49,167	52,283	15,127,545	14,742,613
Net assets at end of year	\$ 24,127,215	\$15,078,378	\$ 52,378	\$ 49,167	\$24,179,593	\$15,127,545

#### **Governmental Activities**

Net assets of the District's governmental activities increased \$9,048,837. Total governmental expenses of \$9,085,435 were offset by program revenues of \$2,260,627 and general revenues of \$15,873,645. Program revenues supported 24.88% of the total governmental expenses.

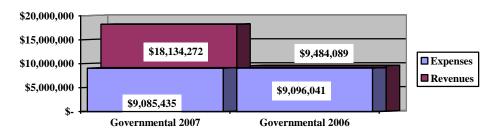
The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 85.65% of total governmental revenues. Real estate property is reappraised every six years.

The largest expense of the District is for instructional programs. Instruction expenses totaled \$4,858,470 or 53.48% of total governmental expenses for fiscal 2007.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2007 and 2006.

#### Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2007 and 2006. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

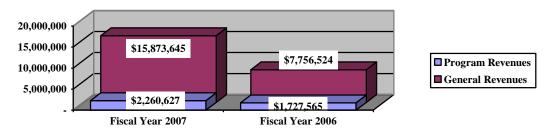
	Governmental Activities						
	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006			
Program expenses:	2007	2007	2000	2000			
Instruction:							
Regular	\$ 3,573,400	\$ 2,813,672	\$ 3,672,176	\$ 2,948,706			
Special	772,679	199,845	801,859	574,616			
Vocational	153,876	93,079	157,261	157,261			
Other	358,515	358,515	351,140	351,140			
Support services:							
Pupil	423,319	407,568	411,551	411,551			
Instructional staff	441,000	230,764	451,954	277,445			
Board of Education	23,109	23,109	19,973	19,973			
Administration	835,641	792,206	718,070	675,914			
Fiscal	197,677	196,958	224,049	223,901			
Business	8,436	8,436	7,386	7,386			
Operations and maintenance	954,622	923,376	927,422	924,458			
Pupil transportation	394,030	368,934	414,892	414,892			
Central	57,259	45,259	51,509	39,509			
Food service	491,964	40,533	466,948	6,491			
Extracurricular activities	317,381	240,027	322,229	237,611			
Interest and fiscal charges	82,527	82,527	97,622	97,622			
Total expenses	\$ 9,085,435	\$ 6,824,808	\$ 9,096,041	\$ 7,368,476			

The dependence upon tax revenues during fiscal year 2007 for governmental activities is apparent, as 71.32% of 2007 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 75.12% in 2007. The increase in general revenue is due to the Ohio School Facilities Commission Grant of \$8,212,543 awarded during fiscal year 2007 for the construction of a new elementary school.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

The graph below presents the District's governmental activities revenue for fiscal year 2007 and 2006.

#### **Governmental Activities - General and Program Revenues**



#### **Business-Type Activities**

Business-type activities include the nonmajor special enterprises operation. This program had operating revenues of \$6,618 and operating expenses of \$3,407 for fiscal year 2007. The District's business activities receive no support from tax revenues.

#### The District's Funds

The District's governmental funds (as presented on the balance sheet on page 17) reported a combined fund balance of \$5,500,565, which is above last year's total of \$4,805,929. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2007 and 2006.

	Fund Balance June 30, 2007	Fund Balance June 30, 2006	Increase (Decrease)
General Classroom Facilities Other Governmental	\$ 2,249,616 2,510,214 740,735	\$ 1,602,324 2,449,865 753,740	\$ 647,292 60,349 (13,005)
Total	\$ 5,500,565	\$ 4,805,929	\$ 694,636

#### General Fund

The District's general fund balance increased \$647,292. Tax revenues increased 10.42%. This increase is the result of a larger amount of taxes being collected by the County Auditors and available as an advance at fiscal year end. These amounts available for advance at year end are recorded as revenue. The amounts available as an advance at year-end can vary depending upon when tax bills are sent out by the County Auditor (see Note 6). The amounts that were available for advance in the general fund at June 30, 2007 and 2006 were \$223,003 and \$107,735, respectively. Earnings on investments increased 49.45% due to greater interest rates earned on investments and a larger general fund cash balance. Instructional expenditures and support services expenditures increased 1.36% and 4.74% respectively, which can be attributed to normal and customary increases in wages and benefits. Debt service expenditures increased due to the District entering into a new lease-purchase agreement. The table that follows assists in illustrating the financial activities of the general fund.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	_	2007 Amount	_	2006 Amount	Percentage Change	
Revenues						
Taxes	\$	2,307,736	\$	2,089,995	10.42 %	
Tuition		445,883		397,399	12.20 %	
Interest earnings		180,456		120,744	49.45 %	
Intergovernmental		5,186,235		5,180,505	0.11 %	
Other revenues		76,155		53,982	41.07 %	
Total	\$	8,196,465	<u>\$</u>	7,842,625	4.51 %	
<b>Expenditures</b>						
Instruction	\$	4,138,324	\$	4,082,989	1.36 %	
Support services		2,905,691		2,774,088	4.74 %	
Extracurricular activities		204,906		213,341	(3.95) %	
Facilities acquisition and construction		34,291		31,759	7.97 %	
Capital outlay		_		88,736	100.00 %	
Debt service		52,618		26,554	98.15 %	
Total	\$	7,335,830	<u>\$</u>	7,217,467	1.64 %	

#### Classroom Facilities Fund

The classroom facilities fund had \$1,770,487 in revenues and other financing sources and \$1,710,138 in expenditures. The classroom facilities fund's fund balance increased \$60,349 from \$2,449,865 to \$2,510,214.

#### 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 2007, the District amended its general fund budget numerous times, none significant. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, final budgeted revenues and other financing sources were \$102,317, below original budgeted revenues estimates of \$7,752,367. Actual revenues and other financing sources for fiscal 2007 was \$8,022,813. This represents a \$372,763 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,824,274 increased to \$7,873,437 in the final budgeted appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2007 totaled \$7,669,000, which was \$204,437 less than the final budget appropriations.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **Capital Assets and Debt Administration**

#### Capital Assets

At the end of fiscal 2007, the District had \$13,086,882 invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows fiscal 2007 balances compared to 2006:

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

	Governmental Activities				
	2007	2006			
Land	\$ 64,810	\$ 64,810			
Construction in progress	1,699,813	-			
Land improvements	309,371	341,915			
Building and improvements	10,487,191	10,796,799			
Furniture and equipment	326,690	389,486			
Vehicles	199,007	236,340			
Total	\$13,086,882	\$11,829,350			

The overall increase in capital assets of \$1,257,532 is due to capital outlays of \$1,708,333 exceeding depreciation expense of \$450,801 in the fiscal year.

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

#### Debt Administration

At June 30, 2007 the District had \$1,446,233 in general obligation bonds, \$301,000 in lease-purchase agreements, and \$51,904 in capital leases outstanding. Of this total, \$105,311 is due within one year and \$1,693,826 is due within greater than one year. The following table summarizes the bonds and leases outstanding.

#### **Outstanding Debt, at Year End**

	Governmental Activities2007	Governmental Activities 2006		
General obligation bonds Lease-purchase agreement Capital lease	\$ 1,446,233 301,000 51,904	\$ 1,515,000 - 79,892		
Total	\$ 1,799,137	\$ 1,594,892		

At June 30, 2007 the District's overall legal debt margin was \$4,817,198 with an unvoted debt margin of \$66,874. See Note 12 to the basic financial statements for additional information on the District's debt administration.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### **Current Financial Related Activities**

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

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

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

The Elementary School is over 27 years old with an annex that is 46 years old and is in the process of a new facility being constructed. The District attempted to pass a bond issue several times for participation in the Ohio School Facilities Commission (OSFC) plan but was not successful. After much discussion and consideration, the Board of Education was able to raise sufficient funding to continue the project.

The District will have the resources necessary to meet operating expenses in fiscal year 2008 and has passed their 4.8 mil emergency levy renewal in order to provide financial stability over the next five years.

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

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

#### Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Brenda J. Schwamberger, Treasurer, Plymouth-Shiloh Local School District, 365 Sandusky Street, Plymouth, Ohio 44865.



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#### STATEMENT OF NET ASSETS JUNE 30, 2007

		Governmental Activities	iness-Type activities	 Total
Assets:				
Equity in pooled cash and cash equivalents	\$	4,527,792	\$ 53,108	\$ 4,580,900
Cash with escrow agent		302,351	-	302,351
Investments		2,160,026	-	2,160,026
Receivables:				
Taxes		2,237,310	-	2,237,310
Intergovernmental		7,409,016	-	7,409,016
Accrued interest		11,889	_	11,889
Prepayments		33,203	_	33,203
Materials and supplies inventory		38,808	_	38,808
Unamortized bond issue costs		25,643		25,643
Capital assets:				
Land		64,810	-	64,810
Construction in progress		1,699,813	-	1,699,813
Depreciable capital assets, net		11,322,259	 -	 11,322,259
Capital assets, net		13,086,882	 	 13,086,882
Total assets		29,832,920	53,108	 29,886,028
Liabilities:				
Accounts payable		30,068	730	30,798
Contracts payable		1,172,888	_	1,172,888
Claims payable		6,724	_	6,724
Accrued wages and benefits		749,104	_	749,104
Pension obligation payable		168,270	_	168,270
Intergovernmental payable		85,872		85,872
Unearned revenue		1,212,713	_	1,212,713
		4,962	_	4,962
Accrued interest payable		,	-	,
Due within one year		167,152	-	167,152
Due in more than one year		2,107,952	 	 2,107,952
Total liabilities		5,705,705	 730	 5,706,435
Net Assets:				
Invested in capital assets, net				
of related debt		11,646,880	-	11,646,880
Restricted for:				
Capital projects		9,811,413	_	9,811,413
Debt service		271,943	_	271,943
Classroom facilities maintenance		114,905	_	114,905
State funded programs		4,236	_	4,236
Federally funded programs		110,422	_	110,422
Student activities		50,338	_	50,338
Other purposes		58,958	-	58,958
Unrestricted	_	2,058,120	 52,378	2,110,498
Total net assets	\$	24,127,215	\$ 52,378	\$ 24,179,593

### STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JUNE 30, 2007

				Program Revenues				
	Expenses	5	Charges for Services and Sales		Operating Grants and Contributions		Capital Grants and Contributions	
Governmental activities:								
Instruction:								
Regular	\$ 3,573,40	0 \$	411,421	\$	348,307	\$	-	
Special	772,67	9	105,582		467,252		-	
Vocational	153,87	6	-		60,797		-	
Other	358,51	5	-		-		-	
Support services:								
Pupil	423,31	9	-		15,751		-	
Instructional staff	441,00	0	2,166		208,070		-	
Board of education	23,10	19	-		-		-	
Administration	835,64	-1	38,314		5,121		-	
Fiscal	197,67	7	-		719		-	
Business	8,43	6	-		-		-	
Operations and maintenance	954,62	.2	63		31,183		-	
Pupil transportation	394,03	0	-		16,523		8,573	
Central	57,25	9	-		12,000		-	
Operation of non-instructional								
services:								
Food service operations	491,96	54	192,374		259,057		-	
Extracurricular activities	317,38	1	77,354		-		-	
Interest and fiscal charges	82,52	.7						
Total governmental activities	9,085,43	5	827,274		1,424,780		8,573	
<b>Business-type activities:</b>								
Special enterprises	3,40	7	6,618				-	
Total business-type activities	3,40	<u> </u>	6,618					
Totals	\$ 9,088,84	2 \$	833,892	\$	1,424,780	\$	8,573	

### **General Revenues:**Property taxes levied for:

Property taxes levied for:
General purposes
Special revenue
Debt service
School district income tax
Grants and entitlements not restricted
to specific programs
Grants restricted for Ohio Schools
Facilities commission
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

Net (Expense) Revenue and Changes in Net Assets

Govern Activ		Bı	usiness-Type Activities		Total	
\$	(2,813,672)	\$		- \$	(2,8	313,672)
	(199,845)			-		199,845)
	(93,079)			-		(93,079)
	(358,515)			-	(3	358,515)
	(407,568)			_	(4	107,568)
	(230,764)			-	(2	230,764)
	(23,109)			-		(23,109)
	(792,206)			-	(7	792,206)
	(196,958)			-	(1	196,958)
	(8,436)			-		(8,436)
	(923,376)			-	(9	923,376)
	(368,934)			-	(3	368,934)
	(45,259)			-		(45,259)
	(40,533)			_		(40,533)
	(240,027)			-		240,027)
	(82,527)			<u>-</u> _	,	(82,527)
	(6,824,808)				(6,8	324,808)
	-		3,21	1		3,211
	-		3,21	1		3,211
	(6,824,808)		3,21	1	(6,8	321,597)
			·			
	1,608,428			-	1,6	508,428
	20,964			-		20,964
	140,607			-	1	140,607
	783,174			-	-	783,174
	4,765,744			-	4,7	765,744
	8,212,543			-		212,543
	337,213			-	3	337,213
	4,972			<u>-</u> _		4,972
	15,873,645			<u>-</u> _		373,645
	9,048,837		3,21			052,048
	15,078,378		49,16			127,545
\$ 2	24,127,215	\$	52,37	8 \$	24,1	179,593

#### BALANCE SHEET GOVERNMENTAL FUNDS JUNE 30, 2007

	General		General		Classroom Facilities						Other Classroom Governmental Facilities Funds		Governmental		Total Governmental Funds	
Assets:	-															
Equity in pooled cash																
and cash equivalents	\$	2,172,229	\$	1,471,380	\$	767,843	\$	4,411,452								
Cash with escrow agent		302,351		-		-		302,351								
Investments		-		2,160,026		-		2,160,026								
Receivables:																
Taxes		2,045,750		-		191,560		2,237,310								
Intergovernmental		-		7,234,407		174,609		7,409,016								
Accrued interest		_		11,889		-		11,889								
Prepayments		32,881		-		322		33,203								
Materials and supplies inventory		32,017		_		6,791		38,808								
Restricted assets:		,				,		,								
Equity in pooled cash																
and cash equivalents		58,958		_		-		58,958								
Total assets	\$	4,644,186	\$	10,877,702	\$	1,141,125	\$	16,663,013								
Liabilities:																
Accounts payable	\$	27,723	\$	1,172,888	\$	2,345	\$	1,202,956								
Accrued wages and benefits		658,412		-		90,692		749,104								
Compensated absences payable				_		14,146		14,146								
Pension obligation payable		142,608		_		25,662		168,270								
Intergovernmental payable		67,323		6		18,543		85,872								
Early retirement incentive payable		, -		_		10,356		10,356								
Unearned revenue		1,089,650		_		123,063		1,212,713								
Deferred revenue		408,854		7,194,594		115,583		7,719,031								
		<u> </u>	-	<u> </u>		· · · · · · · · · · · · · · · · · · ·										
Total liabilities		2,394,570		8,367,488		400,390		11,162,448								
Fund Balances:																
Reserved for encumbrances		124,445		6,018,068		177,154		6,319,667								
Reserved for materials and																
supplies inventory		32,017		-		6,791		38,808								
Reserved for prepayments		32,881		-		322		33,203								
Reserved for debt service		-		-		217,887		217,887								
Reserved for property tax unavailable																
for appropriation		223,003		-		24,437		247,440								
Reserved for BWC refunds		50,385		-		-		50,385								
Reserved for school bus purchases		8,573		-		-		8,573								
Unreserved, undesignated, reported in:																
General fund		1,778,312		-		-		1,778,312								
Special revenue funds		-		-		248,476		248,476								
Capital projects funds	_		_	(3,507,854)		65,668	_	(3,442,186)								
Total fund balances		2,249,616		2,510,214		740,735		5,500,565								
Total liabilities and fund balances	\$	4,644,186	\$	10,877,702	\$	1,141,125	\$	16,663,013								

# RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET ASSETS OF GOVERNMENTAL ACTIVITIES JUNE 30, 2007

Total governmental fund balances		\$ 5,500,565
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		13,086,882
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. Taxes Intergovernmental revenue Accrued interest	\$ 452,371 7,254,844 11,816	
Total		7,719,031
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		50,658
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(4,962)
Unamortized deferred charges are not recognized in the funds.		90,019
Unamortized premiums on bond issuance is not recognized in the funds.		(115,664)
Unamortized bond issuance costs are not recognized in the funds.		25,643
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	(425,820)	
Lease-purchase agreement	(301,000)	
Capital lease obligation	(51,904)	
General obligation bonds payable	(1,446,233)	
Total		 (2,224,957)
Net assets of governmental activities		\$ 24,127,215

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	General	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:			-	
From local sources:				
Taxes	\$ 2,307,736 445,883	\$ -	\$ 147,922 -	\$ 2,455,658 445,883
Charges for services	-	-	192,374	192,374
Earnings on investments	180,456	145,058	4,937	330,451
Classroom materials and fees	28,963	-	1,598	30,561
Extracurricular	-	-	74,203	74,203
Other local revenues	47,192	-	42,033	89,225
Intergovernmental - State	5,186,235	1,029,765	125,000	6,341,000
Intergovernmental - Federal			853,136	853,136
Total revenue	8,196,465	1,174,823	1,441,203	10,812,491
Expenditures:				
Current:				
Instruction:				
Regular	2,989,715	=	365,380	3,355,095
Special	659,568	-	94,018	753,586
Vocational	130,526	-	-	130,526
Other	358,515	-	-	358,515
Support services:				
Pupil	408,206	-	11,660	419,866
Instructional staff	247,570	-	165,729	413,299
Board of education	23,109	=	-	23,109
Administration	727,808	-	39,811	767,619
Fiscal	232,464	10,325	2,338	245,127
Business	8,436	-	-	8,436
Operations and maintenance	836,493	-	13,656	850,149
Pupil transportation	368,103	-	-	368,103
Central	53,502	-	12,000	65,502
Operation of non-instructional services:			456.270	456 270
Food service operations	204.006	-	456,379	456,379
Extracurricular activities	204,906	1 (00 012	84,198	289,104
Facilities acquisition and construction Debt service:	34,291	1,699,813	-	1,734,104
	21 000		75,000	106 000
Principal retirement	31,988 20,630	-	75,000 56,720	106,988 77,350
Bond issuance costs	20,030	_	26,752	26,752
Total expenditures	7,335,830	1,710,138	1,403,641	10,449,609
	7,555,656	1,710,130	1,403,041	10,447,007
Excess of revenues over (under)	960 625	(525.215)	27.562	262.002
expenditures	860,635	(535,315)	37,562	362,882
Other financing sources (uses):				
Transfers in	-	290,664	76,000	366,664
Transfers (out)	(213,343)	-	(153,321)	(366,664)
Lease-purchase transaction	-	305,000	-	305,000
Payment to refunded bond escrow agent	-	-	(968,912)	(968,912)
Premium on sale of refunding bonds	-	-	120,666	120,666
Sale of refunding bonds			875,000	875,000
Total other financing sources (uses)	(213,343)	595,664	(50,567)	331,754
Net change in fund balances	647,292	60,349	(13,005)	694,636
Fund balances at beginning of year	1,602,324	2,449,865	753,740	4,805,929
Fund balances at end of year	\$ 2,249,616	\$ 2,510,214	\$ 740,735	\$ 5,500,565
•	, , , , ,			,,-

# 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, 2007

Net change in fund balances - total governmental funds	\$	694,636
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capita outlays exceed depreciation expense in the current period		
Capital asset additions Current year depreciation	\$ 1,708,333 (450,801)	
Total		1,257,532
Revenues in the statement of activities that do not provide current financia resources are not reported as revenues in the funds.		
Taxes Intergovernmental revenuε Accrued interest	97,515 7,212,567 11,699	
Total		7,321,781
Proceeds of lease-purchase agreements and refunding bonds are recorded as as revenue in the funds, however, in the statement of activities, they are no reported as revenues as they increase the liabilities on the statement of net assets		(1,180,000)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets		981,988
Governmental funds report expenditures for interest when it is due. In the statemen of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds and additional accumulated accreted interest on the capital appreciation bonds.		
Accrued interest Accreted interest on capital appreciation bonds Amortization of deferred charges Amortization of bond premium Amortization of bond issuance costs	 1,056 (6,233) 3,893 (5,002) 1,109	
Total		(5,177)
Deferred charges are recognized as expenditures in the governmental funds, howeve they are amortized over the life of the issuance in the statement of activities		93,912
Premiums on debt issuances are recognized as revenues in the governmental funds however, they are amortized over the life of the issuance in the statement of activities		(120,666)
Bond issuance costs are recognized as expenditures in the governmental funds, however they are amortized over the life of the issuance in the statement of activities		26,752
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(30,994)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities.  Governmental fund expenditures and the related internal service fund revenue		
are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		9,073
Change in net assets of governmental activities	\$	9,048,837

## 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, 2007

		Budgeted	Amo	unts			Fin	iance with al Budget Positive
		Original		Final		Actual		legative)
Revenues:		<u> </u>						
From local sources:								
Taxes	\$	2,172,850	\$	2,132,591	\$	2,113,151	\$	(19,440)
Tuition		404,495		397,000		445,883		48,883
Earnings on investments		111,261		109,200		180,456		71,256
Classroom materials and fees		26,491		26,000		28,963		2,963
Other local revenues		63,680		62,500		47,192		(15,308)
Intergovernmental - State		4,973,590		4,922,759		5,186,235		263,476
Total revenue		7,752,367	-	7,650,050		8,001,880		351,830
Expenditures:								
Current:								
Instruction:								
Regular		3,032,426		3,051,479		2,984,372		67,107
Special		687,433		691,752		710,080		(18,328)
Vocational		135,585		136,437		135,890		547
Other		385,776		388,200		411,600		(23,400)
Support services: Pupil		426,032		428,709		421,595		7,114
Instructional staff		257,439		259,057		257,516		1,541
Board of education		24,358		24,511		22,317		2,194
Administration		889,984		895,576		732,298		163,278
Fiscal		232,115		233,573		237,431		(3,858)
Business		8,066		8,117		9,416		(1,299)
Operations and maintenance		853,297		858,659		840,514		18,145
Pupil transportation		428,998		431,694		382,761		48,933
Central		30,596		30,788		53,549		(22,761)
Extracurricular activities		209,926		211,245		202,777		8,468
Facilities acquisition and construction		40,045		40,297		53,541		(13,244)
Total expenditures		7,642,076		7,690,094		7,455,657		234,437
Excess of revenues over (under)								
expenditures		110,291		(40,044)		546,223		586,267
Other financing sources (uses):								
Refund of prior year expenditure		-		-		20,933		20,933
Transfers (out)		(182,198)		(183,343)		(213,343)		(30,000)
Total other financing sources (uses)		(182,198)		(183,343)		(192,410)		(9,067)
Net change in fund balance		(71,907)		(223,387)		353,813		577,200
Fund balance at beginning of year		1,895,345		1,895,345		1,895,345		
Prior year encumbrances appropriated		1,895,345		1,895,345		1,895,545		-
Fund balance at end of year	\$	1,938,629	\$	1,787,149	\$	2,364,349	\$	577,200
- man summer ar can or jour,	Ψ	1,750,027	Ψ	1,707,177	Ψ	2,304,347	Ψ	377,200

#### STATEMENT OF NET ASSETS PROPRIETARY FUNDS JUNE 30, 2007

	Business-Type Activities - Nonmajor Enterprise Fund			Governmental Activities - Internal Service Fund		
Assets: Current assets:						
Equity in pooled cash						
and cash equivalents	\$	53,108	\$	57,382		
Total assets		53,108		57,382		
Liabilities:						
Current liabilities:						
Accounts payable		730		- 6 724		
Claims payable				6,724		
Total liabilities		730		6,724		
Net assets:						
Unrestricted		52,378		50,658		
Total net assets	\$	52,378	\$	50,658		

# STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

	Business-Type Activities - Nonmajor Enterprise Fund			ernmental tivities - tternal rice Fund
Operating revenues:				
Sales/charges for services	\$	-	\$	66,250
Other		6,618		
Total operating revenues		6,618		66,250
Operating expenses:				
Purchased services		-		4,185
Materials and supplies		2,056		-
Claims		-		52,992
Other		1,351		
Total operating expenses		3,407		57,177
Operating income		3,211		9,073
Net assets at beginning of year		49,167		41,585
Net assets at end of year	\$	52,378	\$	50,658

#### STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:           Cash received from sales/charges for services         \$ - \$ 66,250           Cash received from other operations.         6,618         -           Cash payments for purchased services.         -         (4,185)           Cash payments for materials and supplies         (1,326)         -           Cash payments for other expenses.         (1,351)         -           Cash payments for claims expense.         -         (53,268)           Net cash provided by operating activities         3,941         8,797           Cash and cash equivalents at end of year.         49,167         48,585           Cash and cash equivalents at end of year.         \$ 53,108         \$ 57,382           Reconciliation of operating income to net cash provided by operating activities:         \$ 3,211         \$ 9,073           Changes in assets and liabilities:         -         (276)           Increase in accounts payable.         730         -           Decrease in claims payable         -         (276)           Net cash provided by		Business-Type Activities - Nonmajor Enterprise Fund		Governmental Activities - Internal Service Fund		
Cash received from other operations.         6,618         -         (4,185)           Cash payments for purchased services.         -         (4,185)         -           Cash payments for materials and supplies         (1,326)         -         -           Cash payments for other expenses         (1,351)         -         -         (53,268)           Net cash provided by operating activities         3,941         8,797         8,797           Cash and cash equivalents at beginning of year         49,167         48,585         48,585           Cash and cash equivalents at end of year         \$ 53,108         \$ 57,382           Reconciliation of operating income to net cash provided by operating activities:         \$ 3,211         \$ 9,073           Changes in assets and liabilities:         Increase in accounts payable         730         -           Decrease in claims payable         -         (276)           Net cash provided by         -         (276)						
Cash payments for purchased services.         -         (4,185)           Cash payments for materials and supplies         (1,326)         -           Cash payments for other expenses.         (1,351)         -           Cash payments for claims expense.         -         (53,268)           Net cash provided by operating activities         3,941         8,797           Cash and cash equivalents at beginning of year         49,167         48,585           Cash and cash equivalents at end of year.         \$ 53,108         \$ 57,382           Reconciliation of operating income to net cash provided by operating activities:         \$ 3,211         \$ 9,073           Changes in assets and liabilities:         3,211         \$ 9,073           Changes in accounts payable.         730         -           Decrease in claims payable         -         (276)           Net cash provided by	<u> </u>	\$	-	\$	66,250	
Cash payments for materials and supplies       (1,326)       -         Cash payments for other expenses       (1,351)       -         Cash payments for claims expense.       -       (53,268)         Net cash provided by operating activities       3,941       8,797         Cash and cash equivalents at beginning of year       49,167       48,585         Cash and cash equivalents at end of year       \$ 53,108       \$ 57,382         Reconciliation of operating income to net cash provided by operating activities:       \$ 3,211       \$ 9,073         Changes in assets and liabilities:       1       9,073         Changes in accounts payable.       730       -         Decrease in claims payable       -       (276)         Net cash provided by	•		6,618		-	
Cash payments for other expenses         (1,351)         -           Cash payments for claims expense.         -         (53,268)           Net cash provided by operating activities         3,941         8,797           Cash and cash equivalents at beginning of year         49,167         48,585           Cash and cash equivalents at end of year.         \$ 53,108         57,382           Reconciliation of operating income to net cash provided by operating activities:         \$ 3,211         \$ 9,073           Changes in assets and liabilities:         Increase in accounts payable         730         -           Decrease in claims payable         730         -           Decrease in claims payable         -         (276)	* *		-		(4,185)	
Cash payments for claims expense.  Net cash provided by operating activities .  Cash and cash equivalents at beginning of year .  Cash and cash equivalents at end of year .  Cash and cash equivalents at end of year .  Reconciliation of operating income to net cash provided by operating activities:  Operating income .  Changes in assets and liabilities:  Increase in accounts payable .  Net cash provided by  Net cash provided by  Oracle as in claims payable .  Or			(1,326)		-	
Net cash provided by operating activities . 3,941 8,797  Cash and cash equivalents at beginning of year . 49,167 48,585  Cash and cash equivalents at end of year . \$ 53,108 \$ 57,382  Reconciliation of operating income to net cash provided by operating activities:  Operating income . \$ 3,211 \$ 9,073  Changes in assets and liabilities: Increase in accounts payable . 730 - Decrease in claims payable . 730 - (276)  Net cash provided by	Cash payments for other expenses		(1,351)		-	
operating activities . 3,941 8,797  Cash and cash equivalents at beginning of year . 49,167 48,585  Cash and cash equivalents at end of year . \$ 53,108 \$ 57,382  Reconciliation of operating income to net cash provided by operating activities:  Operating income . \$ 3,211 \$ 9,073  Changes in assets and liabilities:  Increase in accounts payable . 730 - (276)  Net cash provided by	Cash payments for claims expense				(53,268)	
Cash and cash equivalents at beginning of year	Net cash provided by					
at beginning of year       49,167       48,585         Cash and cash equivalents at end of year       \$ 53,108       \$ 57,382         Reconciliation of operating income to net cash provided by operating activities:         Operating income       \$ 3,211       \$ 9,073         Changes in assets and liabilities:       T30       -         Increase in accounts payable       730       -         Decrease in claims payable       -       (276)         Net cash provided by	operating activities		3,941		8,797	
Cash and cash equivalents at end of year.       \$ 53,108       \$ 57,382         Reconciliation of operating income to net cash provided by operating activities:       S 3,211       \$ 9,073         Changes in assets and liabilities:       Increase in accounts payable.       730       -         Decrease in claims payable       -       (276)         Net cash provided by	Cash and cash equivalents					
Cash and cash equivalents at end of year.       \$ 53,108       \$ 57,382         Reconciliation of operating income to net cash provided by operating activities:       S 3,211       \$ 9,073         Changes in assets and liabilities:       Increase in accounts payable.       730       -         Decrease in claims payable       -       (276)         Net cash provided by	at beginning of year		49,167		48,585	
to net cash provided by operating activities:  Operating income		\$	53,108	\$	57,382	
Changes in assets and liabilities: Increase in accounts payable	to net cash provided by					
Increase in accounts payable	Operating income	\$	3,211	\$	9,073	
Decrease in claims payable	Changes in assets and liabilities:					
	* *		730		(276)	
	N					
operating activities	operating activities	\$	3,941	\$	8,797	

# STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND JUNE 30, 2007

	Agency		
Assets:			
Equity in pooled cash			
and cash equivalents	\$	23,191	
Total assets	\$	23,191	
Liabilities:			
Accounts payable	\$	878	
Due to students	T	22,313	
Due to students		22,313	
Total liabilities	\$	23,191	

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

#### NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District operates under a locally elected five-member Board form of government and provides educational services as authorized by its charter and further mandated by state and/or federal agencies. This Board controls the District's 4 instructional/support facilities staffed by 41 classified and 71 certificated full-time teaching personnel, who provide services to 966 students and other community members. The District ranks as the 505<sup>th</sup> by enrollment among 876 public and community school districts in the state, and 8<sup>th</sup> largest in Richland County.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "<u>The Financial Reporting Entity</u>" as amended by GASB Statement No. 39, "<u>Determining Whether Certain Organizations Are Component Units</u>". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; 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:

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

#### JOINTLY GOVERNED ORGANIZATIONS

#### Heartland Council of Governments (the "COG")

The COG (North Central Ohio Computer Cooperative) is a jointly governed organization among 16 school districts and 1 county educational service center. The COG was formed for the purpose of applying modern technology with the aid of computers and other electronic technology to administrative and instructional functions. Each member district supports the COG based on a per pupil charge, dependent upon the software package utilized. The COG is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14 as amended by GASB Statement No. 39, the District does not have any equity interest in the COG. Financial information can be obtained from the treasurer for the Pioneer Career and Technology Center, who serves as fiscal agent, at 27 Ryan Road, Shelby, Ohio 44875-0309.

#### Pioneer Career and Technology Center (PCTC)

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

#### PUBLIC ENTITY RISK POOL

#### Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Refer to Note 14 for further information on this group rating plan.

#### **B.** Fund Accounting

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

#### GOVERNMENTAL FUNDS

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

<u>General Fund</u> - 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

#### PROPRIETARY FUNDS

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

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

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

#### FIDUCIARY FUNDS

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

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

<u>Government-wide Financial Statements</u> - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund operating activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

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

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

### D. Basis of Accounting

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

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

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

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

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

<u>Unearned Revenue and Deferred Revenue</u> - Unearned revenue and deferred revenue arise 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, 2007, but which were levied to finance fiscal year 2008 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2007 are recorded as deferred revenue.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# 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 (except Agency funds). The specific timetable for fiscal year 2007 is as follows:

- 1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
- 2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
- 3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final Amended Certificate issued for fiscal year 2007.
- 4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures may not exceed the appropriation total.
- 5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
- 6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
- 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, 2007; 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures may not legally exceed budgeted appropriations at the fund level.

# F. Cash and Investments

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

During fiscal year 2007, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Government money market mutual funds and federal agency securities. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices.

The District has invested funds in STAR Ohio during fiscal 2007. 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, 2007.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or policy of the Board of Education. Investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2007 amounted to \$180,456 which includes \$84,379 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

# H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

All reported capital assets except land and construction in progress 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:

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

### I. Interfund Balances

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

# J. Compensated Absences

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# 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, 2007, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, employees age 50 with at least 10 years of service and all employees with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at June 30, 2007, 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. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

# K. Accrued Liabilities and Long-Term Obligations

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

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

# L. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance and costs are deferred and amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Unamortized bond issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 12.

### M. Fund Balance Reserves

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

# N. Operating Revenues and Expenses

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

### O. 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes includes amounts restricted by State statute for school bus purchases and Bureau of Worker's Compensation refunds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

# P. 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. 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.

# R. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a reserve for Bureau of Worker's Compensation refunds and school bus purchases. These reserves are required by State statute. A schedule of statutory reserves is presented in Note 20.

# S. Interfund Activity

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

# T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2007 the District did not incur any transactions that would be classified as an extraordinary or special item.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

### **Deficit Fund Balances**

Fund balances at June 30, 2007 included the following individual fund deficit:

	 Deficit
Nonmajor Fund	
Poverty Aid	\$ 121

The general fund is liable for any deficits in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance results from adjustments for accrued liabilities.

### **NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

- 1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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;
- 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;

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

- 5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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.

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.

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

### A. Cash on Hand

At year-end, the District had \$2,655 in undeposited cash on hand which is included on the financial statements of the District as part of "Equity in Pooled Cash and Cash Equivalents."

### B. Cash with Escrow Agent

At fiscal year-end, the District had \$302,351 in cash and cash equivalents held by U.S. Bank in relation to the lease-purchase agreement discussed in Note 11. This amount is included in the basic financial statements as "Cash with Escrow Agent."

# C. Deposits with Financial Institutions

At June 30, 2007, the carrying amount of all District deposits was \$145,549. Based on the criteria described in GASB Statement No. 40, "<u>Deposits and Investment Risk Disclosures</u>", as of June 30, 2007, \$95,696 of the District's bank balance of \$195,696 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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.

#### D. Investments

As of June 30, 2007, the District had the following investments and maturities:

		Investment Maturities		
<u>Investment type</u>	Fair Value	6 months or 7 to 12 months		13 to 18 months
STAR Ohio	\$ 4,431,753	\$ 4,431,753	\$ -	\$ -
FHLB	499,845	499,845	-	-
FNMA	1,220,039	308,003	712,160	199,876
FHLM	440,142	440,142	-	-
U.S. Government money market	24,134	24,134		
	\$ 6,615,913	\$ 5,703,877	\$ 712,160	\$ 199,876

The weighted average maturity of investments is .16 years.

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

*Credit Risk:* The District's investments, except for STAR Ohio, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAm money market rating.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **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, 2007:

<u>Investment type</u>	<u>_F</u>	air Value	% of Total
STAR Ohio	\$	4,431,753	66.99
FHLB		499,845	7.56
FNMA		1,220,039	18.44
FHLM		440,142	6.65
U.S. Government money market		24,134	0.36
Total	\$	6,615,913	100.00

### E. Reconciliation of Cash and Investments 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, 2007:

Cash and Investments per footnote		
Carrying amount of deposits	\$	145,549
Investments		6,615,913
Cash on hand		2,655
Cash with escrow agent		302,351
Total	\$	7,066,468
Cash and investments per Statement of Net Assets	Φ.	6 000 160
Governmental activities	\$	6,990,169
Business type activities		53,108
Agency fund	_	23,191
Total	\$	7,066,468

# NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the fiscal year ended June 30, 2007, consisted of the following, as reported on the fund financial statements:

Transfers to Nonmajor Governmental funds from:	
General fund	\$ 76,000
Transfers to Classroom Facilities fund from:	
General fund	137,343
Nonmajor governmental funds	153,321

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

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

Transfers from the permanent improvement (nonmajor governmental fund) to the classroom facilities fund were for the District's locally funded initiatives as required.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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 2007 represents collections of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of January 1, 2006, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2007 represents collections of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien December 31, 2005, were levied after April 1, 2006 and are collected in 2007 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 2007 (other than public utility property) represents the collection of 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. For 2006, tangible personal property is assessed at 18.75% for property including inventory. This percentage was reduced to 12.5% for 2007, will be 6.25% for 2008 and zero for 2009. 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 2007-2010, 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 Richland, Huron and Crawford Counties. The County Auditors periodically advance to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2007 are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date tax bills are sent.

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 6 - PROPERTY TAXES - (Continued)**

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2007 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 unearned revenue.

The amount available as an advance at June 30, 2007 was \$223,003 in the general fund, \$20,655 in the debt service fund and \$3,782 in the maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2006 was \$107,735 in the general fund, \$8,289 in the debt service fund, and \$1,715 in the maintenance fund.

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

The assessed values upon which the fiscal year 2007 taxes were collected are:

	2006 Second				2007 First		
		Half Collections		Half Collections Half Colle		tions	
		Amount	Percent	_	Amount	Percent	
Agricultural/residential							
and other real estate	\$	63,205,520	92.42	\$	64,530,958	93.57	
Public utility personal		3,593,950	5.26		3,420,030	4.96	
Tangible personal property		1,589,719	2.32		1,015,040	1.47	
Total	\$	68,389,189	100.00	\$	68,966,028	100.00	
Tax rate per \$1,000 of							
assessed valuation		\$37.80			\$37.80		

### NOTE 7 - SCHOOL DISTRICT INCOME TAX

The voters of the District passed a 1% school district income tax at the May 8, 1990 election that became effective January 1, 1991. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2007 was \$783,174.

# **NOTE 8 - RECEIVABLES**

Receivables at June 30, 2007 consisted of taxes, accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of state programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

#### **Governmental Activities:**

9 0 1 0	
Taxes	\$ 2,237,310
Accrued interest	11,889
Intergovernmental	 7,409,016
Total	\$ 9,658,215

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 8 - RECEIVABLES - (Continued)**

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

# **NOTE 9 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance 06/30/06	Additions	Deductions	Balance 06/30/07
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 64,810	\$ -	\$ -	\$ 64,810
Construction in progress		1,699,813		1,699,813
Total capital assets, not being depreciated	64,810	1,699,813		1,764,623
Capital assets, being depreciated:				
Land improvements	586,752	-	-	586,752
Buildings and improvements	13,006,074	-	-	13,006,074
Furniture and equipment	989,497	8,520	-	998,017
Vehicles	743,684			743,684
Total capital assets, being depreciated	15,326,007	8,520		15,334,527
Less: accumulated depreciation:				
Land improvements	(244,837)	(32,544)	-	(277,381)
Buildings and improvements	(2,209,275)	(309,608)	-	(2,518,883)
Furniture and equipment	(600,011)	(71,316)	-	(671,327)
Vehicles	(507,344)	(37,333)		(544,677)
Total accumulated depreciation	(3,561,467)	(450,801)		(4,012,268)
Governmental activities capital assets, net	\$ 11,829,350	\$ 1,257,532	\$ -	\$ 13,086,882

Depreciation expense was charged to governmental functions as follows:

<u>Instruction</u> :		
Regular	\$	218,794
Special		19,306
Vocational		19,468
Support Services:		
Pupil		2,159
Instructional staff		26,505
Administration		11,225
Operations and maintenance		65,218
Pupil transportation		27,915
Extracurricular activities		28,344
Food service operations	_	31,867
Total depreciation expense	\$	450,801

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# NOTE 10 - CAPITAL LEASES - LESSEE DISCLOSURE

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

Capital assets consisting of equipment have been capitalized in the amount of \$123,115. Capital lease equipment in the amount of \$88,736 have not been capitalized as the present value at the time of acquisition is less than the capitalization threshold. A liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2007 totaled \$27,988 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2007:

Fiscal Year Ending June 30,	Amount
2008	\$ 33,368
2009	22,246
Total lease payments	\$ 55,614
Less amount representing interest	(3,710)
Total	\$ 51,904

# NOTE 11 - LEASE-PURCHASE AGREEMENT

During fiscal year 2007, the District entered into a lease-purchase agreement with the Columbus Regional Airport Authority (through the OASBO Expanded Asset Pooled Financing Program) for the local share of the Ohio School Facilities Commission project. U.S. Bank has been designated as a trustee for the agreement. This lease meets the criteria of a lease-purchase as defined by FASB Statement No. 13, "Accounting for Leases", which defines a lease-purchase generally as one which transfers benefits and risks of ownership to the lessee. The lease was used for school facility improvements. As of June 30, 2007, assets related to the lease-purchase agreement have not been capitalized. Lease-purchase payments have been reflected as debt service expenditures in the general fund. Principal and interest payments in fiscal year 2007 totaled \$4,000 and \$15,250, respectively.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# NOTE 11 - LEASE-PURCHASE AGREEMENT - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the minimum lease payments as of June 30, 2007.

Fiscal Year Ending		
June 30,	_	Total
2008	\$	20,863
2009		20,599
2010		20,335
2011		21,072
2012		20,756
2013 - 2017		103,721
2018 - 2022		104,391
2023 - 2027		103,900
2028 - 2032		104,563
2033 - 2035	_	62,113
Total minimum lease payments		582,313
Less: amount representing interest	_	(281,313)
Present value of minimum lease payments	\$	301,000

# **NOTE 12 - LONG-TERM OBLIGATIONS**

**A.** During fiscal year 2000, the District issued \$1,761,000 in general obligation bonds to provide long-term financing for the renovation of the elementary school and the construction of a new middle school/ high school building. These bonds bear an annual interest rate of 5.0% and mature in fiscal year 2017.

During fiscal year 2007, the District refunded \$875,000 of the current interest bonds.

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

The following is a schedule of activity for fiscal 2007 on the Series 2000 general obligation refunding bonds:

				Balance			I	Balance	A	mounts
	Interest	Maturity	O	utstanding			Ou	tstanding	]	Due in
	Rate	Date		06/30/06	Additions	Reductions	0	5/30/07	O	ne Year
General obligation										
bond payable -										
Facilities Building	5.00%	12/01/16	\$	1,515,000	\$ -	\$ (930,000)	\$	585,000	\$	55,000
					·					·
Total			\$	1,515,000	\$ -	\$ (930,000)	\$	585,000	\$	55,000

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

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

Year Ending	Principal on	Interest on	
June 30	Bond	Bond	Total
2008	\$ 55,000	\$ 34,050	\$ 89,050
2009	60,000	33,450	93,450
2010	60,000	32,850	92,850
2011	65,000	32,250	97,250
2012	-	31,450	31,450
2013 - 2017	345,000	154,850	499,850
Total	\$ 585,000	\$ 318,900	\$ 903,900

**B.** On October 26, 2006, the District issued general obligation bonds (Series 2007 General Obligation Refunding Bonds) to advance refund the callable portion of the Series 2000 Current Interest General Obligation Bonds (principal \$875,000). The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$850,000, and capital appreciation bonds, par value \$25,000. The capital appreciation bonds mature December 1, 2011 and December 1, 2012 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$175,000. Total accreted interest of \$6,233 has been included in the statement of activities.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2022.

The following is a schedule of activity for fiscal 2007 on the Series 2007 general obligation refunding bonds:

	lance <u>30/06</u>	Additions	Re	eductions	Balance 06/30/07
Current interest bonds Capital appreciation bonds Accreted interest	\$ - - <u>-</u>	\$ 850,000 25,000 6,233	\$	(20,000)	\$ 830,000 25,000 6,233
Total G.O. bonds	\$ 	\$ 881,233	\$	(20,000)	\$ 861,233

The reacquisition price exceeded the net carrying amount of the old debt by \$93,912. The amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next 17 years by 8.172% and resulted in an economic gain of \$71,509.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

The following is a summary of the future debt service requirements to maturity for the Series 2007 general obligation refunding bonds:

		Cu	urrent Interest Bonds				Capital Appreciation Bonds					nds
Year Ended	_	Principal		Interest		Total	<u>P</u>	rincipal		<u>Interest</u>		Total
2008	\$	15,000	\$	34,050	\$	49,050	\$	_	\$	_	\$	-
2009		15,000		33,450		48,450		-		-		_
2010		15,000		32,850		47,850		-		-		_
2011		20,000		32,250		52,250		-		-		-
2012		-		31,450		31,450		15,000		75,000		90,000
2013 - 2017		40,000		154,850		194,850		10,000		75,000		85,000
2018 - 2022		585,000		101,313		686,313		-		-		-
2023	_	140,000		5,600		145,600		_		_		_
Total	\$	830,000	\$	425,813	\$	1,255,813	\$	25,000	\$	150,000	\$	175,000

**C.** During the fiscal year 2007, the following changes occurred in governmental activities long-term obligations:

	Balance Outstanding 06/30/06	Additions	Reductions	Balance Outstanding 06/30/07	Amount Due in One Year
Governmental Activities:					
General obligation bonds payable - Series 2000	\$ 1,515,000	\$ -	\$ (930,000)	\$ 585,000	\$ 55,000
General obligation bonds payable - Series 2007	-	881,233	(20,000)	861,233	15,000
Early retirement incentive	41,843	-	(31,486)	10,356	10,356
Lease purchase agreement	-	305,000	(4,000)	301,000	5,000
Capital leases	79,892	-	(27,988)	51,904	30,311
Compensated absences	454,631	80,308	(94,973)	439,966	51,485
Total governmental activities					
long-term liabilities	\$ 2,091,366	\$ 1,266,541	\$ (1,108,447)	\$ 2,249,459	\$ 167,152
	Less: De	eferred charge	on refunding	(90,019)	
	Add: Un	amortized pre	mium	115,664	
				\$ 2,275,104	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)**

# D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation use in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2007, are a voted debt margin of \$4,817,198 (including available funds of \$238,542) and an unvoted debt margin of \$66,874.

# **NOTE 13 - EMPLOYEE BENEFITS**

# A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn 10 to 25 days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Administrators who are contracted to work 260 days in a year are given 15 to 20 days of vacation per year by contract. Any unused vacation days at the end of the contract are forfeited. The only exception is the Superintendent who can accumulate vacation for up to 3 years at the end of his contract, and the Treasurer who can accumulate vacation for up to 2 years at the end of her contract. Teachers do not earn vacation time. Compensated absences will be paid from the fund from which the employee is paid, primarily the general fund, and the following nonmajor governmental funds: Title VI-B, Title I, and the food service fund.

Administrators, teachers, and classified employees earn sick leave at a rate of 27% of sick leave balance to a maximum of 76 days. Payment of severance shall be paid at time of retirement after all requirements of eligibility have been met.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 13 - EMPLOYEE BENEFITS - (Continued)**

# **B.** Early Retirement Incentive

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

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

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

As of June 30, 2007, eight employees elected to participate in the ERIP. The liability for employees accepting the ERIP is represented as "Early Retirement Incentive Payable" in the fund financial statements.

# **NOTE 14 - RISK MANAGEMENT**

### A. Property, Fleet, and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2007, the District contracted with a commercial insurer for building and personal property coverage in the blanket amount of \$28,961,313, 100% coinsurance, replacement cost endorsement and a \$1,000 deductible.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 14 - RISK MANAGEMENT - (Continued)**

# **B.** Employee Dishonesty Bonds

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

# C. Workers' Compensation

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

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

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

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

The District has elected to provide a comprehensive medical benefits package to the employees through a fully-insured program. The premium for single coverage is \$361.76 and \$676.77 for family. Employees pay 10% of the premium per negotiated union contracts and cannot be raised, except through negotiated agreement. The medical plan and prescription drug card are administered by Medical Mutual of Ohio located in Cleveland, Ohio.

The District provides dental coverage for its employees on a self-insured basis through Medical Mutual of Ohio. The total monthly premium is \$19.96 for single and \$53.89 for family coverage. This premium includes the employee portion, which is paid by the District.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 14 - RISK MANAGEMENT - (Continued)**

The claims liability of \$6,724 reported in the fund at June 30, 2007, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District's third party administrator. Changes in the fund's claims liability for the current and prior fiscal year are as follows:

	Be	ginning	Curi	ent Claims		Claims	E	inding
Fiscal Year	В	alance_	and Chan	ges in Estimates	<u>P</u>	ayments	<u>B</u>	alance
2007	\$	7,000	\$	52,992	\$	(53,268)	\$	6,724
2006		6,342		57,761		(57,103)		7,000

The District also provides vision coverage for its employees on a fully-insured basis through Reliance Standard. The total monthly premium is \$10.84 for single coverage and \$24.04 for family coverage. This premium includes the employee portion, which is paid by the District. This amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement.

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

### **NOTE 15 - 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 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. 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. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board.

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 15 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$107,259, \$113,866, and \$106,956, respectively; 47.96% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$55,823 represents the unpaid pension contribution for fiscal year 2007 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, or by visiting the STRS Ohio website at <a href="https://www.strsoh.org">www.strsoh.org</a>.

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.

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, 2007, 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. For fiscal years 2006 and 2005, the portion used to fund pension obligations was also 13 percent. 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.

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 15 - PENSION PLANS - (Continued)**

The District's required contributions for pension obligations to the DB plan for the fiscal years ended June 30, 2007, 2006, and 2005 were \$450,465, \$454,230, and \$453,524, respectively 83.52% has been contributed for fiscal year 2007 and 100% for the fiscal years 2006 and 2005. \$74,234 represents the unpaid pension contribution for fiscal year 2007 and is recorded as a liability within the respective funds. There were no contributions made by plan members or the District to the DC and Combined Plans for fiscal year 2007.

### 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, 2007, certain members of the Board of Education have elected Social Security. The District's liability is 6.2% of wages paid.

# **NOTE 16 - POSTEMPLOYMENT BENEFITS**

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), 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.

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. 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 Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$34,651 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS had 119,184 eligible benefit recipients.

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.

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, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. 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 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the 2007 fiscal year, the District paid \$50,111 to fund health care benefits, including the surcharge.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)**

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 the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

# **Net Change in Fund Balance**

	<u>Ge</u>	neral Fund
Budget basis	\$	353,813
Net adjustment for revenue accruals		194,585
Net adjustment for expenditure accruals		(49,362)
Net adjustment for other sources/uses		(20,933)
Adjustment for encumbrances		169,189
GAAP basis	\$	647,292

# NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

### **NOTE 18 - 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

A lawsuit has been filed by the Columbia Gas Transmission Corporation arguing that the Corporation's public utility property tax assessment rate should be 25% of true value rather than the 88% used by the Tax Commissioner. The Board of Tax Appeals has agreed with the Corporation and the case has been appealed by the Tax Commissioner to the Ohio Supreme Court. The District receives a significant amount of property tax from the Corporation. Should the Corporation prevail in the Supreme Court, it may be entitled to a refund from the District based on the lower assessment rate beginning from tax year 2001. The amount of the refund is estimated to be approximately \$29,571 per year. A portion of the refund may be recovered from additional State entitlement payments.

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

# NOTE 19 - GROUP PURCHASING POOL

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

# **NOTE 20 - 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, 2007, the reserve activity was as follows:

	<u>Textbooks</u>	Capital <u>Acquisition</u>	BWC Refunds
Set-aside balance as of June 30, 2006 Current year set-aside requirement Qualifying disbursements	\$ (348,858) 146,961 (150,936)	\$ (1,539,145) 146,961 (135,851)	\$ 50,385 - -
Total	\$ (352,833)	\$ (1,528,035)	\$ 50,385
Balance carried forward to FY 2008	\$ (352,833)	\$ (1,528,035)	\$ 50,385

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

# **NOTE 20 - STATUTORY RESERVES - (Continued)**

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

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

A schedule of the restricted assets at June 30, 2007 follows:

Amount restricted for BWC refunds	\$ 50,385
Amount restricted for school bus purchases	 8,573
Total	\$ 58,958

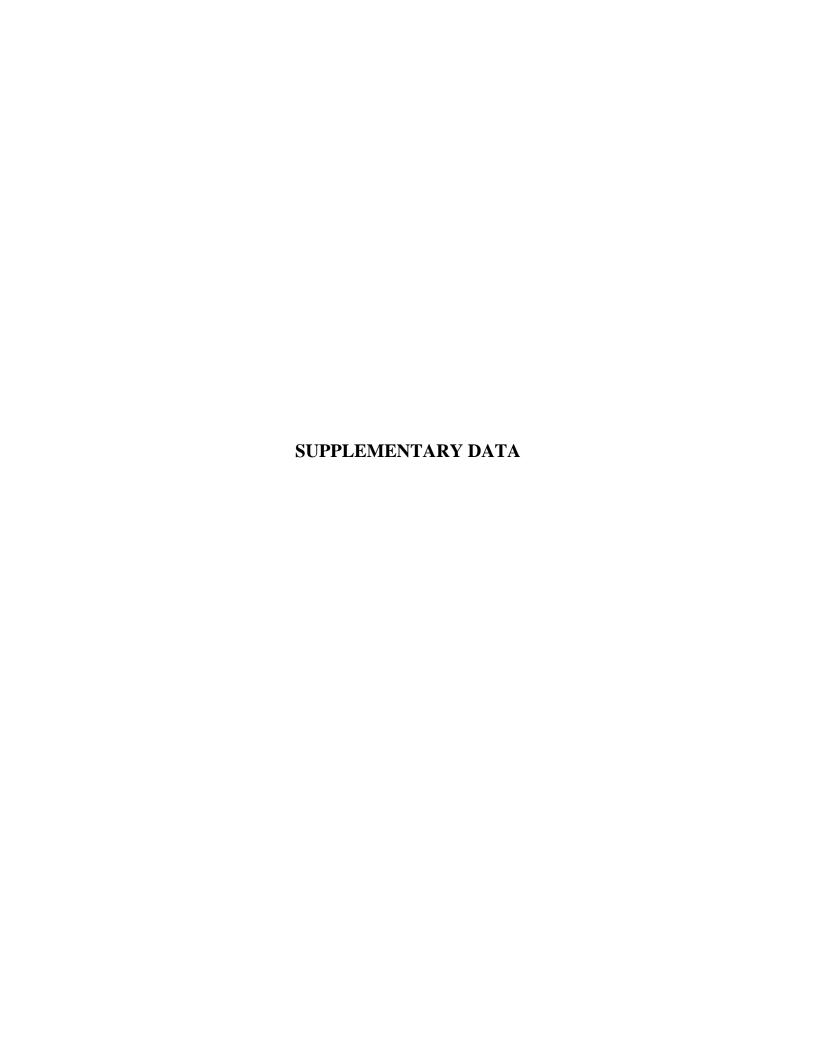
### **NOTE 21 - LAND LEASE AGREEMENT**

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

# **NOTE 22 - CONTRACTUAL COMMITMENTS**

As of June 30, 2007, the District had the following contractual commitments outstanding related to the construction of a new elementary school. A summary of the primary contractual commitments follows:

			Remaining
	Total	Amount	Commitment
Project/Vendor	Contract	<u>Paid</u>	June 30, 2007
Elementary school construction:			
BCMC, Inc.	\$ 4,189,000	\$ -	\$ 4,189,000
Commercial Appliance	218,870	-	218,870
Continental Office Environments	239,118	-	239,118
Lesko	453,168	(346,347)	106,821
McClintock Electric	737,108	-	737,108
Metzger - Gleisinger Mechanical	1,555,308	-	1,555,308
Regency	418,309	(176,364)	241,945
Vulcan	96,915		96,915
Total	\$ 7,907,796	\$ (522,711)	\$ 7,385,085



### PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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						
(A) Food Donation Total Food Donation	10.550	N/A	<u>\$ -</u>	\$ 19,439 19,439	\$ -	\$ 19,439 19,439
Nutrition Cluster: (B) (C) School Breakfast Program (B) (C) School Breakfast Program Total School Breakfast Program	10.553 10.553	049460-05PU-2006 049460-05PU-2007	7,663 41,767 49,430		7,663 41,767 49,430	
(B) (C) National School Lunch Program (B) (C) National School Lunch Program Total National School Lunch Program	10.555 10.555	049460-LLP4-2006 049460-LLP4-2007	22,291 121,340 143,631		22,291 121,340 143,631	
<b>Total Nutrition Cluster</b>			193,061		193,061	
Total U.S. Department of Agriculture			193,061	19,439	193,061	19,439
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH N/A						
Twenty-First Century Community Learning Centers Total Twenty-First Century Community Learning Centers	84.287	N/A			33,371 33,371	
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION						
Title I Grants to Local Educational Agencies Title I Grants to Local Educational Agencies Total Title I Grants to Local Educational Agencies	84.010 84.010	049460-C1S1-2006 049460-C1S1-2007	36,156 279,467 315,623		50,671 265,427 316,098	
Special Education Grants to States Special Education Grants to States Total Special Education Grants to States	84.027 84.027	049460-6BSF-2006 049460-6BSF-2007	11,181 170,682 181,863		28,553 136,106 164,659	
Safe and Drug-Free Schools and Communities State Grants Total Safe and Drug-Free Schools and Communities State Grants	84.186	049460-DRS1-2007	6,592 6,592		6,592 6,592	
State Grants for Innovative Programs  Total State Grants for Innovative Programs	84.298	049460-C2S1-2007	1,396 1,396		1,396 1,396	
Education Technology State Grants Education Technology State Grants Total Education Technology State Grants	84.318 84.318	049460-TJS1-2006 049460-TJS1-2007	3,307 3,307		1,478 3,307 4,785	
Improving Teacher Quality State Grants Improving Teacher Quality State Grants Total Improving Teacher Quality State Grants	84.367 84.367	049460-TRS1-2006 049460-TRS1-2007	9,822 63,886 73,708		11,988 60,420 72,408	
Total U.S. Department of Education			582,489		599,309	
Total Federal Financial Assistance			\$ 775,550	\$ 19,439	\$ 792,370	\$ 19,439

<sup>(</sup>A) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at fair market prices.

<sup>(</sup>B) Included as part of "Nutrition Grant Cluster" in determining major programs.

<sup>(</sup>C) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.

<sup>(</sup>D) This schedule was prepared on the cash basis of accounting.



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plymouth-Shiloh Local School District, Richland County, Ohio, as of and for the fiscal year ended June 30, 2007, which collectively comprise Plymouth-Shiloh Local School District's basic financial statements and have issued our report thereon dated December 12, 2007. 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 Plymouth-Shiloh Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Plymouth-Shiloh Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Plymouth-Shiloh Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Plymouth-Shiloh Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Plymouth-Shiloh Local School District's financial statements that is more than inconsequential will not be prevented or detected by Plymouth-Shiloh Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Plymouth-Shiloh Local School District's internal control.

Board of Education Plymouth-Shiloh Local School District

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

# Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plymouth-Shiloh 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*.

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

Julian & Grube, Inc. December 12, 2007

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# Julian & Grube, Inc.

Serving Ohio Local Governments

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

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

### Compliance

We have audited the compliance of Plymouth-Shiloh 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 program for the fiscal year ended June 30, 2007. Plymouth-Shiloh 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 Plymouth-Shiloh Local School District's management. Our responsibility is to express an opinion on Plymouth-Shiloh 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 Plymouth-Shiloh Local School Districts 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 Plymouth-Shiloh Local School District's compliance with those requirements.

In our opinion, Plymouth-Shiloh 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, 2007.

# Internal Control Over Compliance

The management of Plymouth-Shiloh 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 Plymouth-Shiloh Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Plymouth-Shiloh Local School District's internal control over compliance.

Board of Education Plymouth-Shiloh Local School District

A control deficiency in Plymouth-Shiloh Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Plymouth-Shiloh Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Plymouth-Shiloh Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Plymouth-Shiloh Local School District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Julian & Grube, Inc. December 12, 2007

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# SCHEDULE OF FINDINGS OMB CIRCULAR A-133 § .505 JUNE 30, 2007

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

# SCHEDULE OF FINDINGS OMB CIRCULAR A-133 § .505 JUNE 30, 2007

# 2. FINDING 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

# PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT

# **RICHLAND COUNTY**

# **CLERK'S CERTIFICATION**

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

**CLERK OF THE BUREAU** 

Susan Babbitt

**CERTIFIED FEBRUARY 7, 2008**