

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

*BASIC FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2004*

**BRENDA SCHWAMBERGER, TREASURER**





**Auditor of State  
Betty Montgomery**

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 Trimble, Julian & Grube, Inc., for the audit period July 1, 2003 through June 30, 2004. 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.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

March 17, 2005

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

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# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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## 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, business-type activities, each major fund, and the aggregate remaining fund information of the Plymouth-Shiloh Local School District, Richland County, (the “District”) as of and for the fiscal year ended June 30, 2004, which collectively comprise the District’s basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District’s management. Our responsibility is to express opinions on these basic 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, business-type activities, each major fund, and the aggregate remaining fund information of the Plymouth-Shiloh Local School District, Richland County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 3 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, GASB Interpretation No. 6 Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences for the fiscal year ended June 30, 2003. In addition, the District had a change in accounting principle for its threshold for capital assets as described in Note 2H and an updated appraisal as described in Note 9. As disclosed in Note 3, the District had a prior period adjustment for the reclassification of its energy conservation loan.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



Trimble, Julian & Grube, Inc.  
January 31, 2005

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

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

The management's discussion and analysis of Plymouth-Shiloh Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2004 are as follows:

- In total, net assets decreased \$392,124. Net assets of governmental activities decreased \$409,971, which represents a 2.79% decrease from 2003. Net assets of business-type activities increased \$17,847 or 64.14% from 2003.
- General governmental revenues accounted for \$7,108,824 in revenue or 76.51% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$1,987,999 or 21.40% of total revenues of \$9,290,573. The District has a special item, the gain of sale of land, in the amount of \$193,750.
- The District had \$9,700,544 in expenses related to governmental activities; only \$1,987,999 of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$7,302,574 including the gain on sale of land, were not adequate to provide for these programs.
- The District's major governmental funds are the general fund and classroom facilities fund. The general fund had \$7,128,803 in revenues and \$7,167,227 in expenditures and other financing uses. The general fund's fund balance decreased \$38,424 from \$585,565 to \$547,141.
- The classroom facilities fund had \$22,938 in revenues and \$298,927 in expenditures. The classroom facilities fund's fund balance decreased \$275,989 from \$2,593,567 to \$2,317,578.
- Net assets for the District's enterprise fund increased \$17,847. The special enterprises fund had \$41,773 in revenues and \$23,926 in expenses.

**Using the Basic Financial Statements**

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

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

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

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

**Reporting the District as a Whole**

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes 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 13-15 of this report.

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

*Fund Financial Statements*

The analysis of the District's major governmental funds and the analysis of the District's enterprise fund begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and 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 16-20 of this report.

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

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

***Proprietary Funds***

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 21-23 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 24. 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 25-53 of this report.

**The District as a Whole**

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

	<b>Net Assets</b>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	<u>2004</u>	<u>2004</u>
<b><u>Assets</u></b>		
Current assets	\$ 6,137,083	\$ 45,671
Capital assets	<u>12,627,200</u>	<u>-</u>
Total assets	<u>18,764,283</u>	<u>45,671</u>
<b><u>Liabilities</u></b>		
Current liabilities	2,247,425	-
Long-term liabilities	<u>2,206,347</u>	<u>-</u>
Total liabilities	<u>4,453,772</u>	<u>-</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	10,912,667	-
Restricted	2,722,093	-
Unrestricted	<u>675,751</u>	<u>45,671</u>
Total net assets	<u>\$14,310,511</u>	<u>\$ 45,671</u>

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

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

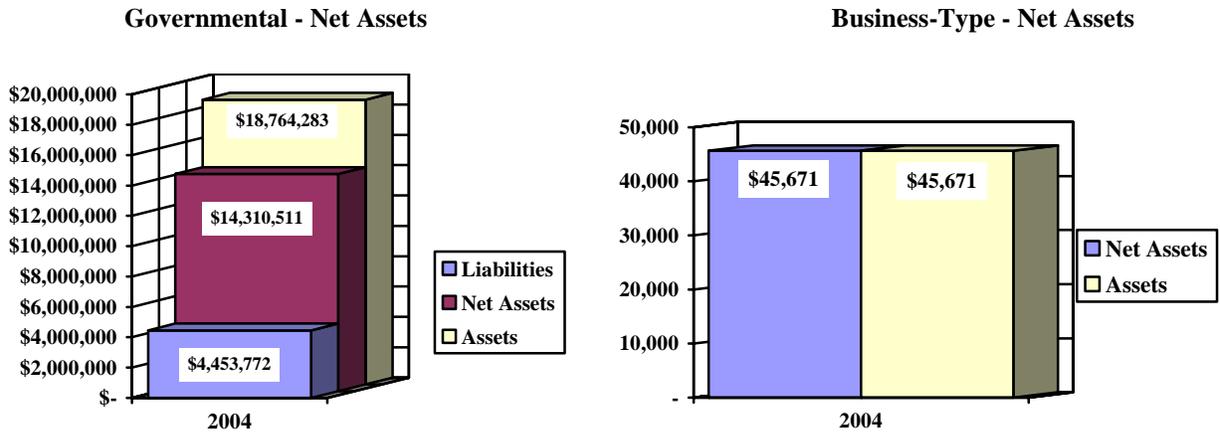
Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2004, the District's assets exceeded liabilities by \$14,356,182, \$14,310,511 of this total is in governmental activities and \$45,671 is in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the District's net assets. At year-end, capital assets represented 67.13% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2004, were \$10,912,667 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, 2004, 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, \$2,722,093, 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 \$675,751 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 2004.



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

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

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

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
	2004	2004
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 691,479	\$ 41,773
Operating grants and contributions	1,272,320	-
Capital grants and contributions	24,200	-
General revenues:		
Taxes	2,325,598	-
Grants and entitlements	4,684,448	-
Investment earnings	39,474	-
Other	59,304	-
Special item	193,750	-
Total revenues	9,290,573	41,773
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	4,057,845	-
Special	754,986	-
Vocational	174,684	-
Other	199,645	-
Support services:		
Pupil	355,775	-
Instructional staff	502,230	-
Board of Education	22,891	-
Administration	903,980	-
Fiscal	212,661	-
Business	7,771	-
Operations and maintenance	1,181,771	-
Pupil transportation	425,893	-
Central	38,870	-
Food service	452,977	-
Operation of non-instructional services	25,919	-
Extracurricular activities	273,245	-
Interest and fiscal charges	109,401	-
Special enterprises	-	23,926
Total expenses	9,700,544	23,926
Changes in net assets	\$ (409,971)	\$ 17,847

**Governmental Activities**

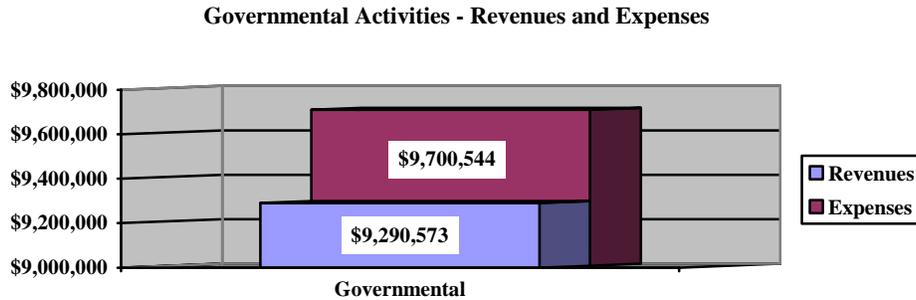
Net assets of the District's governmental activities decreased \$409,971. Total governmental expenses of \$9,700,544 were offset by program revenues of \$1,987,999 and general revenues of \$7,302,574, including a special item. Program revenues supported 20.49% of the total governmental expenses.

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

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

The primary sources of revenue for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 75.45% of total governmental revenues. Real estate property is reappraised every six years.

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



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2004. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Comparisons to 2003 have not been presented since they are not available.

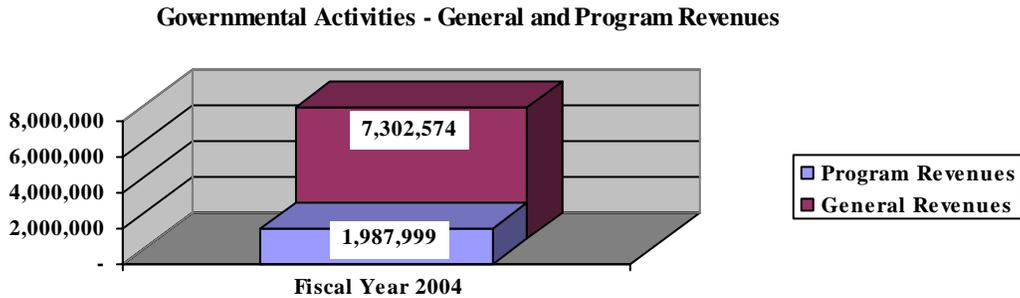
	<b>Governmental Activities</b>	
	Total Cost of Services <u>2004</u>	Net Cost of Services <u>2004</u>
Program expenses:		
Instruction:		
Regular	\$ 4,057,845	\$ 3,182,705
Special	754,986	570,827
Vocational	174,684	174,684
Other	199,645	199,645
Support services:		
Pupil	355,775	355,604
Instructional staff	502,230	356,057
Board of Education	22,891	22,891
Administration	903,980	735,753
Fiscal	212,661	210,748
Business	7,771	7,771
Operations and maintenance	1,181,771	1,153,742
Pupil transportation	425,893	385,629
Central	38,870	25,393
Food service	452,977	17,993
Operation of non-instructional services	25,919	530
Extracurricular activities	273,245	203,172
Interest and fiscal charges	109,401	109,401
<b>Total expenses</b>	<b>\$ 9,700,544</b>	<b>\$ 7,712,545</b>

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

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

The dependence upon tax revenues during fiscal year 2004 for governmental activities is apparent, as 79.58% of 2004 instruction activities are supported through taxes and other general revenues. General revenue support for all governmental activities was 79.51% in 2004. The District's taxpayers, as a whole, is by far the primary support for District's students.

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



**Business-Type Activities**

Business-type activities include the nonmajor special enterprises operation. This program had operating revenues of \$41,773 and operating expenses of \$23,926 for fiscal year 2004. 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 16) reported a combined fund balance of \$3,532,286, which is below last year's total of \$3,725,744. The June 30, 2003 fund balances have been restated as described in Note 3.A. to the basic financial statements. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2004 and 2003.

	Fund Balance June 30, 2004	(Restated) Fund Balance June 30, 2003	Increase Decrease
General	\$ 547,141	\$ 585,565	\$ (38,424)
Classroom Facilities	2,317,578	2,593,567	(275,989)
Other Governmental	<u>667,567</u>	<u>546,612</u>	<u>120,955</u>
Total	<u>\$ 3,532,286</u>	<u>\$ 3,725,744</u>	<u>\$ (193,458)</u>

**General Fund**

The District's general fund balance decreased \$38,424, due to a restatement in fund balance during 2004. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

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

	<u>2004</u> <u>Amount</u>	<u>2003</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>			
Taxes	\$ 2,006,848	\$ 1,834,422	9.40 %
Tuition	350,966	252,211	39.16 %
Interest earnings	19,103	30,608	(37.59) %
Intergovernmental	4,670,676	4,641,067	0.64 %
Other revenues	<u>81,210</u>	<u>36,149</u>	124.65 %
Total	<u>\$ 7,128,803</u>	<u>\$ 6,794,457</u>	4.92 %
<b><u>Expenditures</u></b>			
Instruction	\$ 4,184,532	\$ 3,960,963	5.64 %
Support services	2,676,448	2,702,517	(0.96) %
Extracurricular activities	161,460	130,974	23.28 %
Facilities acquisition and construction	30,585	32,008	(4.45) %
Debt service	<u>100,817</u>	<u>38,878</u>	159.32 %
Total	<u>\$ 7,153,842</u>	<u>\$ 6,865,340</u>	4.20 %

***Classroom Facilities Fund***

The classroom facilities fund had \$22,938 in revenues and \$298,927 in expenditures. The classroom facilities fund's fund balance decreased \$275,989 from \$2,593,567 to \$2,317,578.

***General Fund Budgeting Highlights***

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal 2004, the District amended its general fund budget 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 \$6,764,771, below original budgeted revenues estimates of \$6,944,537. Actual revenues and other financing sources for fiscal 2004 was \$6,996,900. This represents a \$232,129 increase over final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$7,432,779 were decreased to \$7,426,080 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2004 totaled \$7,288,715, which was \$137,365 less than the final budget appropriations, primarily because salary costs proved to be lower than anticipated in the original and final budget.

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

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

**Capital Assets and Debt Administration**

*Capital Assets*

During fiscal year 2004, the District changed its capitalization threshold. This resulted in a restatement of capital assets in the governmental activities (see Note 3.A. for detail). At the end of fiscal 2004, the District had \$12,627,200 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This total amount was reported in governmental activities. The following table shows fiscal 2004 balances compared to 2003:

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

	Governmental Activities	
	2004	(Restated) 2003
Land	\$ 64,810	\$ 65,060
Land improvements	407,840	428,158
Building and improvements	11,416,015	11,725,623
Furniture and equipment	517,302	616,991
Vehicles	221,233	279,358
Total	\$12,627,200	\$13,115,190

The overall decrease in capital assets of \$487,990 is due to depreciation expense of \$500,990 exceeding capital outlays of \$13,000 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, 2004 the District had \$1,656,168 in general obligation bonds and a loan outstanding. Of this total, \$91,168 is due within one year and \$1,565,000 is due within greater than one year. The following table summarizes the bonds and loan outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities 2004	Governmental Activities 2003
General obligation bonds	\$ 1,615,000	\$ 1,670,000
Energy conservation loan	41,168	90,490
Total	\$ 1,656,168	\$ 1,760,490

At June 30, 2004 the District's overall legal debt margin was \$3,525,391 with an unvoted debt margin of \$54,941.

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

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

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

**Current Financial Related Activities**

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

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

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

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

The District will have the resources necessary to meet operating expenses in fiscal year 2005, however it is anticipated that an additional operating levy will need to be passed in the future 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 citizen's, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Brenda J. Schwamberger, Treasurer, Plymouth-Shiloh Local School District, 365 Sandusky Street, Plymouth, Ohio 44865.

**BASIC  
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . .	\$ 2,150,654	\$ 45,671	\$ 2,196,325
Investments . . . . .	1,965,092	-	1,965,092
Receivables:			
Taxes . . . . .	1,897,808	-	1,897,808
Intergovernmental . . . . .	48,813	-	48,813
Accrued interest . . . . .	3,827	-	3,827
Prepayments . . . . .	34,200	-	34,200
Materials and supplies inventory . . . . .	36,689	-	36,689
Capital assets:			
Land . . . . .	64,810	-	64,810
Depreciable capital assets, net . . . . .	12,562,390	-	12,562,390
Capital assets, net. . . . .	<u>12,627,200</u>	<u>-</u>	<u>12,627,200</u>
 Total assets. . . . .	 <u>18,764,283</u>	 <u>45,671</u>	 <u>18,809,954</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	31,924	-	31,924
Claims payable . . . . .	5,129	-	5,129
Accrued wages and benefits . . . . .	745,651	-	745,651
Pension obligation payable. . . . .	178,330	-	178,330
Intergovernmental payable . . . . .	36,632	-	36,632
Deferred revenue . . . . .	1,241,021	-	1,241,021
Accrued interest payable . . . . .	8,738	-	8,738
Long-term liabilities:			
Due within one year. . . . .	252,167	-	252,167
Due in more than one year . . . . .	1,954,180	-	1,954,180
 Total liabilities . . . . .	 <u>4,453,772</u>	 <u>-</u>	 <u>4,453,772</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt. . . . .	10,912,667	-	10,912,667
Restricted for:			
Capital projects . . . . .	2,469,817	-	2,469,817
Debt service. . . . .	224,667	-	224,667
Other purposes . . . . .	27,609	-	27,609
Unrestricted. . . . .	<u>675,751</u>	<u>45,671</u>	<u>721,422</u>
 Total net assets . . . . .	 <u>\$ 14,310,511</u>	 <u>\$ 45,671</u>	 <u>\$ 14,356,182</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 4,057,845	\$ 263,594	\$ 587,346	\$ 24,200
Special . . . . .	754,986	112,876	71,283	-
Vocational . . . . .	174,684	-	-	-
Other . . . . .	199,645	-	-	-
Support services:				
Pupil . . . . .	355,775	-	171	-
Instructional staff . . . . .	502,230	-	146,173	-
Board of education . . . . .	22,891	-	-	-
Administration . . . . .	903,980	45,511	122,716	-
Fiscal . . . . .	212,661	-	1,913	-
Business . . . . .	7,771	-	-	-
Operations and maintenance . . . . .	1,181,771	-	28,029	-
Pupil transportation . . . . .	425,893	-	40,264	-
Central . . . . .	38,870	-	13,477	-
Operation of non-instructional services:				
Food service operations . . . . .	452,977	203,910	231,074	-
Other non-instructional services . . . . .	25,919	-	25,389	-
Extracurricular activities . . . . .	273,245	65,588	4,485	-
Interest and fiscal charges . . . . .	109,401	-	-	-
Total governmental activities . . . . .	<u>9,700,544</u>	<u>691,479</u>	<u>1,272,320</u>	<u>24,200</u>
<b>Business-type activities:</b>				
Nonmajor fund . . . . .	<u>23,926</u>	<u>41,773</u>	<u>-</u>	<u>-</u>
Total business-type activities . . . . .	<u>23,926</u>	<u>41,773</u>	<u>-</u>	<u>-</u>
Totals . . . . .	<u>\$ 9,724,470</u>	<u>\$ 733,252</u>	<u>\$ 1,272,320</u>	<u>\$ 24,200</u>

**General Revenues:**

Property taxes levied for:  
 General purposes . . . . .  
 Special revenue . . . . .  
 Debt service . . . . .  
 School district income tax . . . . .  
 Grants and entitlements not restricted to specific programs . . . . .  
 Investment earnings . . . . .  
 Miscellaneous . . . . .  
 Total general revenues . . . . .

**Special item:**

Gain on sale of land . . . . .  
 Total general revenues and special item . . . . .

Change in net assets . . . . .

**Net assets at beginning of year . . . . .**

**Net assets at end of year . . . . .**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,182,705)	\$ -	\$ (3,182,705)
(570,827)	-	(570,827)
(174,684)	-	(174,684)
(199,645)	-	(199,645)
(355,604)	-	(355,604)
(356,057)	-	(356,057)
(22,891)	-	(22,891)
(735,753)	-	(735,753)
(210,748)	-	(210,748)
(7,771)	-	(7,771)
(1,153,742)	-	(1,153,742)
(385,629)	-	(385,629)
(25,393)	-	(25,393)
(17,993)	-	(17,993)
(530)	-	(530)
(203,172)	-	(203,172)
(109,401)	-	(109,401)
<u>(7,712,545)</u>	<u>-</u>	<u>(7,712,545)</u>
-	17,847	17,847
-	17,847	17,847
<u>(7,712,545)</u>	<u>17,847</u>	<u>(7,694,698)</u>
1,502,622	-	1,502,622
25,721	-	25,721
177,605	-	177,605
619,650	-	619,650
4,684,448	-	4,684,448
39,474	-	39,474
59,304	-	59,304
<u>7,108,824</u>	<u>-</u>	<u>7,108,824</u>
193,750	-	193,750
7,302,574	-	7,302,574
(409,971)	17,847	(392,124)
<u>14,720,482</u>	<u>27,824</u>	<u>14,748,306</u>
<u>\$ 14,310,511</u>	<u>\$ 45,671</u>	<u>\$ 14,356,182</u>

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 935,583	\$ 354,491	\$ 758,072	\$ 2,048,146
Investments . . . . .	-	1,965,092	-	1,965,092
Receivables:				
Taxes. . . . .	1,681,173	-	216,635	1,897,808
Intergovernmental . . . . .	-	-	48,813	48,813
Accrued interest . . . . .	-	3,827	-	3,827
Prepayments . . . . .	33,918	-	282	34,200
Materials and supplies inventory . . . . .	30,269	-	6,420	36,689
Restricted assets:				
Equity in pooled cash and cash equivalents . . . . .	57,130	-	-	57,130
Total assets . . . . .	<u>\$ 2,738,073</u>	<u>\$ 2,323,410</u>	<u>\$ 1,030,222</u>	<u>\$ 6,091,705</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 22,839	\$ 2,005	\$ 7,080	\$ 31,924
Accrued wages and benefits . . . . .	634,397	-	111,254	745,651
Compensated absences payable . . . . .	29,397	-	-	29,397
Pension obligation payable. . . . .	90,162	-	15,218	105,380
Intergovernmental payable. . . . .	28,421	-	8,211	36,632
Early retirement incentive payable . . . . .	79,199	-	27,023	106,222
Deferred revenue. . . . .	1,306,517	3,827	193,869	1,504,213
Total liabilities . . . . .	<u>2,190,932</u>	<u>5,832</u>	<u>362,655</u>	<u>2,559,419</u>
<b>Fund Balances:</b>				
Reserved for encumbrances . . . . .	282,617	5,423	48,784	336,824
Reserved for materials and supplies inventory. . . . .	30,269	-	6,420	36,689
Reserved for prepayments . . . . .	33,918	-	282	34,200
Reserved for debt service . . . . .	-	-	176,984	176,984
Reserved for property tax unavailable for appropriation . . . . .	147,567	-	21,347	168,914
Reserved for BWC refunds. . . . .	50,385	-	-	50,385
Reserved for school bus purchases . . . . .	6,745	-	-	6,745
Unreserved, undesignated, reported in:				
General fund . . . . .	(4,360)	-	-	(4,360)
Special revenue funds. . . . .	-	-	265,338	265,338
Capital projects funds. . . . .	-	2,312,155	148,412	2,460,567
Total fund balances . . . . .	<u>547,141</u>	<u>2,317,578</u>	<u>667,567</u>	<u>3,532,286</u>
Total liabilities and fund balances . . . . .	<u>\$ 2,738,073</u>	<u>\$ 2,323,410</u>	<u>\$ 1,030,222</u>	<u>\$ 6,091,705</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Total governmental fund balances</b>		\$	3,532,286
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			12,627,200
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes	\$	259,335	
Intergovernmental revenue		30	
Accrued interest		3,827	
Total			263,192
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.			40,249
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		(356,195)	
Pension obligation payable		(72,950)	
Capital lease obligation		(58,365)	
General obligation bonds payable		(1,615,000)	
Energy conservation loan payable		(41,168)	
Accrued interest payable		(8,738)	
Total			(2,152,416)
<b>Net assets of governmental activities</b>		\$	14,310,511

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>General</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 2,006,848	\$ -	\$ 189,231	\$ 2,196,079
Tuition. . . . .	350,966	-	-	350,966
Charges for services. . . . .	-	-	203,910	203,910
Earnings on investments. . . . .	19,103	20,746	985	40,834
Classroom materials and fees. . . . .	24,295	-	3,001	27,296
Extracurricular. . . . .	-	-	61,978	61,978
Other local revenues. . . . .	56,915	2,192	47,276	106,383
Intergovernmental - State. . . . .	4,670,676	-	152,400	4,823,076
Intergovernmental - Federal . . . . .	-	-	1,170,897	1,170,897
Total revenues . . . . .	<u>7,128,803</u>	<u>22,938</u>	<u>1,829,678</u>	<u>8,981,419</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,185,944	-	638,048	3,823,992
Special. . . . .	638,558	-	97,528	736,086
Vocational. . . . .	160,385	-	-	160,385
Other. . . . .	199,645	-	-	199,645
Support services:				
Pupil. . . . .	353,286	-	902	354,188
Instructional staff . . . . .	303,510	-	161,947	465,457
Board of education . . . . .	22,891	-	-	22,891
Administration. . . . .	729,152	-	159,669	888,821
Fiscal . . . . .	202,283	4,917	5,775	212,975
Business . . . . .	7,771	-	-	7,771
Operations and maintenance. . . . .	698,332	-	53,455	751,787
Pupil transportation . . . . .	334,710	-	38,550	373,260
Central. . . . .	24,513	-	14,314	38,827
Operation of non-instructional services:				
Food service operations . . . . .	-	-	429,510	429,510
Other non-instructional services. . . . .	-	-	25,919	25,919
Extracurricular activities. . . . .	161,460	-	89,133	250,593
Facilities acquisition and construction . . . . .	30,585	294,010	45,588	370,183
Debt service:				
Principal retirement . . . . .	89,200	-	55,000	144,200
Interest and fiscal charges . . . . .	11,617	-	100,770	112,387
Total expenditures . . . . .	<u>7,153,842</u>	<u>298,927</u>	<u>1,916,108</u>	<u>9,368,877</u>
Excess of revenues over (under) expenditures . . . . .	<u>(25,039)</u>	<u>(275,989)</u>	<u>(86,430)</u>	<u>(387,458)</u>
<b>Other financing sources (uses):</b>				
Transfers in . . . . .	-	-	13,385	13,385
Transfers (out). . . . .	(13,385)	-	-	(13,385)
Proceeds from sale of capital assets. . . . .	-	-	194,000	194,000
Total other financing sources (uses) . . . . .	<u>(13,385)</u>	<u>-</u>	<u>207,385</u>	<u>194,000</u>
Net change in fund balances . . . . .	(38,424)	(275,989)	120,955	(193,458)
<b>Fund balances at beginning of year (restated) . . . . .</b>				
	585,565	2,593,567	546,612	3,725,744
<b>Fund balances at end of year. . . . .</b>	<u>\$ 547,141</u>	<u>\$ 2,317,578</u>	<u>\$ 667,567</u>	<u>\$ 3,532,286</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

<b>Net change in fund balances - total governmental funds</b>	\$	(193,458)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$500,990) exceeds capital outlays (\$13,250) in the current period.		(487,740)
Governmental funds only report the gain from the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(250)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		115,153
Repayment of bonds, loans, and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		144,200
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is due to the accrued interest on bonds.		2,986
Some expenses reported in the statement of activities, such as compensated absences and pension obligations, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(11,324)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund is allocated among the governmental activities.		20,462
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(409,971)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 1,854,428	\$ 1,803,460	\$ 1,865,345	\$ 61,885
Tuition. . . . .	348,912	339,322	350,966	11,644
Earnings on investments. . . . .	18,991	18,469	19,103	634
Classroom materials and fees . . . . .	24,153	23,489	24,295	806
Other local revenues . . . . .	45,168	55,027	56,915	1,888
Intergovernmental - State . . . . .	<u>4,643,341</u>	<u>4,515,722</u>	<u>4,670,676</u>	<u>154,954</u>
Total revenues . . . . .	<u>6,934,993</u>	<u>6,755,489</u>	<u>6,987,300</u>	<u>231,811</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	3,134,335	3,131,510	3,151,215	(19,705)
Special. . . . .	666,300	665,699	669,825	(4,126)
Vocational. . . . .	161,466	161,320	158,978	2,342
Other. . . . .	210,924	210,734	205,608	5,126
Support services:				
Pupil. . . . .	380,459	380,116	369,026	11,090
Instructional staff . . . . .	384,017	383,671	365,815	17,856
Board of education . . . . .	28,499	28,473	21,842	6,631
Administration. . . . .	770,344	769,650	733,960	35,690
Fiscal . . . . .	226,366	226,162	203,863	22,299
Business . . . . .	18,992	18,975	9,432	9,543
Operations and maintenance. . . . .	736,754	736,090	822,428	(86,338)
Pupil transportation . . . . .	352,273	351,955	347,879	4,076
Central. . . . .	28,962	28,936	28,249	687
Extracurricular activities. . . . .	153,387	153,249	156,625	(3,376)
Facilities acquisition and construction. . . . .	30,327	30,300	30,585	(285)
Total expenditures . . . . .	<u>7,283,405</u>	<u>7,276,840</u>	<u>7,275,330</u>	<u>1,510</u>
Excess of revenues over (under) expenditures. . . . .	<u>(348,412)</u>	<u>(521,351)</u>	<u>(288,030)</u>	<u>233,321</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(12,511)	(12,500)	(13,385)	(885)
Advances in. . . . .	9,544	9,282	9,600	318
Advances (out) . . . . .	<u>(136,863)</u>	<u>(136,740)</u>	<u>-</u>	<u>136,740</u>
Total other financing sources (uses) . . . . .	<u>(139,830)</u>	<u>(139,958)</u>	<u>(3,785)</u>	<u>136,173</u>
Net change in fund balance . . . . .	(488,242)	(661,309)	(291,815)	369,494
<b>Fund balance at beginning</b>				
of year (restated) . . . . .	757,231	757,231	757,231	-
Prior year encumbrances appropriated . . . . .	<u>212,780</u>	<u>212,780</u>	<u>212,780</u>	<u>-</u>
Fund balance at end of year . . . . .	<u>\$ 481,769</u>	<u>\$ 308,702</u>	<u>\$ 678,196</u>	<u>\$ 369,494</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2004

	<b>Business-Type Activities</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Nonmajor Enterprise</b>	
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 45,671	\$ 45,378
Total assets . . . . .	45,671	45,378
<b>Liabilities:</b>		
Current liabilities:		
Claims payable . . . . .	-	5,129
Total liabilities . . . . .	-	5,129
<b>Net assets:</b>		
Unrestricted . . . . .	45,671	40,249
Total net assets. . . . .	\$ 45,671	\$ 40,249

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Nonmajor Enterprises</b>	
<b>Operating revenues:</b>		
Tuition and fees. . . . .	\$ 12,429	\$ -
Sales/charges for services. . . . .	29,344	66,973
	41,773	66,973
<b>Operating expenses:</b>		
Purchased services. . . . .	3,616	4,532
Materials and supplies . . . . .	11,567	-
Capital outlay . . . . .	659	-
Claims . . . . .	-	41,980
Other. . . . .	8,084	-
	23,926	46,512
Total operating expenses. . . . .		
Operating income . . . . .	17,847	20,461
<b>Nonoperating revenues:</b>		
Interest revenue . . . . .	-	1
Total nonoperating revenues. . . . .	-	1
Change in net assets . . . . .	17,847	20,462
<b>Net assets at beginning of year (restated) .</b>	27,824	19,787
<b>Net assets at end of year . . . . .</b>	\$ 45,671	\$ 40,249

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	<b>Business-Type Activities</b>	<b>Governmental Activities - Internal Service Fund</b>
	<b>Nonmajor Enterprises</b>	
<b>Cash flows from operating activities:</b>		
Cash received from tuition and fees. . . . .	\$ 12,984	\$ -
Cash received from sales/charges for services . . . . .	29,344	66,973
Cash payments for purchased services. . . . .	(3,616)	(4,532)
Cash payments for materials and supplies . . . . .	(13,312)	-
Cash payments for capital outlay. . . . .	(659)	-
Cash payments for other expenses . . . . .	(11,437)	-
Cash payments for claims expense. . . . .	-	(36,851)
	13,304	25,590
<b>Net cash provided by operating activities . . . . .</b>		
	13,304	25,590
<b>Cash flows from investing activities:</b>		
Interest received . . . . .	-	1
	-	1
<b>Net cash provided by investing activities . . . . .</b>		
	-	1
Net increase in cash and cash equivalents . . . . .	13,304	25,591
<b>Cash and cash equivalents at beginning of year (restated) . . . . .</b>	32,367	19,787
<b>Cash and cash equivalents at end of year. . . . .</b>	\$ 45,671	\$ 45,378
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$ 17,847	\$ 20,461
Changes in assets and liabilities:		
Decrease in accounts receivable . . . . .	555	-
Decrease in accounts payable. . . . .	(5,098)	-
Increase in claims payable . . . . .	-	5,129
	-	5,129
Net cash provided by operating activities . . . . .	\$ 13,304	\$ 25,590

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2004

	<b>Agency</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 18,431
Total assets. . . . .	\$ 18,431
<b>Liabilities:</b>	
Accounts payable. . . . .	\$ 1,683
Due to students . . . . .	16,748
Total liabilities . . . . .	\$ 18,431

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

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

**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 48 classified and 80 certificated full-time teaching personnel, who provide services to 963 students and other community members. The District ranks as the 506<sup>th</sup> by enrollment among 613 public 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, "The Financial Reporting Entity". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food services, and student related activities of the District.

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

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

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Heartland Council of Governments (the "COG")

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

Pioneer Career and Technology Center (PCTC)

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

*PUBLIC ENTITY RISK POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. Refer to Note 13 for further information on this group rating.

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

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

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

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

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

*PROPRIETARY FUNDS*

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

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

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

*FIDUCIARY FUNDS*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**D. Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

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

**E. Budgets**

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

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Richland County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2004.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

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

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

7. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2004; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the final appropriation amounts including all amendments and modifications.
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 2004, investments were limited to investments in the State Treasury Asset Reserve of Ohio (STAR Ohio), and U.S. Government money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$19,103, which includes \$9,517 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 Treasurer's investment account at year-end is provided in Note 4.

**G. Inventory**

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

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

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

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

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2004, the District increased its capitalization threshold from \$500 to \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

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

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

**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, 2004, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, 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, 2004, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

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

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

**L. Fund Balance Reserves**

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

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

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

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

**M. Operating Revenues and Expenses**

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

**N. Net Assets**

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

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

**O. Prepayments**

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

**P. Estimates**

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

**Q. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve and reserve for BWC refunds. These reserves are required by state statute. A schedule of statutory reserves is presented in Note 19.

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

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

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

**R. Interfund Activity**

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2004 the District sold land. This transaction is classified as a special item on the Statement of Activities.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

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

For fiscal year 2004, the District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2003, there was no effect on fund balance as a result of implementing GASB Statements Nos. 37, 38, 39, and 41.

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

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

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

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

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**Governmental Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds have been reclassified to properly reflect their intended purpose in accordance with the Standards of GASB Statement No. 34. It was determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at June 30, 2003. In addition, a long-term energy conservation loan was improperly recorded as a fund liability in the general fund in the prior-year. This loan will be reported as a long-term liability on the statement of net assets.

In addition to implementing GASB Statement No. 34, the District switched from the purchase method to the consumption method of accounting for inventory of materials and supplies. This change in accounting principle had no effect on fund balance at June 30, 2003.

The fund reclassifications, removing the energy conservation loan from the general fund, and the implementation of GASB Interpretation No. 6 had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Classroom Facilities</u>	<u>Nonmajor</u>	<u>Total</u>
Fund balance June 30, 2003	\$ 480,074	\$ 2,593,567	\$ 450,844	\$ 3,524,485
Fund reclassifications	1,361	-	93,897	95,258
Reclassification of energy conservation loan	90,490	-	-	90,490
Implementation of GASB Interpretation No. 6	<u>13,640</u>	<u>-</u>	<u>1,871</u>	<u>15,511</u>
Restated fund balance, June 30, 2003	<u>\$ 585,565</u>	<u>\$ 2,593,567</u>	<u>\$ 546,612</u>	<u>\$ 3,725,744</u>

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

	<u>Total</u>
Restated fund balance, June 30, 2003	\$ 3,725,744
GASB 34 adjustments:	
Long-term (deferred) assets	148,039
Capital assets	13,115,190
Accrued interest payable	(11,724)
Pension obligation	(75,840)
Long-term liabilities	(2,200,714)
Internal service fund	<u>19,787</u>
Governmental activities net assets, June 30, 2003	<u>\$ 14,720,482</u>

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund** - The general fund unencumbered fund balance at the beginning of the year has been restated from \$755,870 to \$757,231 due to a fund reclassification to properly reflect its intended purpose in accordance with GASB Statement No. 34.

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

**Business-Type Activities - Fund Reclassification and Restatement of Fund Balance** - Certain funds previously reported as enterprise funds are now reported in the general fund and other nonmajor funds to properly reflect the intended purpose of the funds. In addition, capital assets have been restated to reflect the change in capitalization threshold.

	<u>Nonmajor Enterprise</u>	<u>Internal Service</u>
Fund equity as previously reported	\$ 195,347	\$ 21,148
Fund reclassification	(163,405)	(1,361)
Adjustment for capital assets	<u>(4,118)</u>	<u>-</u>
Restated net assets as of July 1, 2003	<u>\$ 27,824</u>	<u>\$ 19,787</u>

**B. Deficit Fund Balances**

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

	<u>Deficit</u>
<u>Nonmajor Funds</u>	
EMIS	\$ 4
Title I	25,123
Improving Teacher Quality	500
Miscellaneous Federal Grants	4,876

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS**

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

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

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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 monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instrument rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

*Cash on hand:* At fiscal year-end, the District had \$2,730 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents".

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

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

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

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS AND INVESTMENTS - (Continued)**

*Deposits:* At year-end, the carrying amount of the District's deposits was \$(91,627) and the bank balance was \$63,294. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The entire bank balance was covered by federal deposit insurance.

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

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

	<u>Category 2</u>	<u>Reported Amount</u>	<u>Fair Value</u>
Federal agency notes	<u>\$ 1,965,092</u>	\$ 1,965,092	\$ 1,965,092
Investment in STAR Ohio		2,295,028	2,295,028
U.S. Government money market mutual fund		<u>8,625</u>	<u>8,625</u>
Total investments		<u>\$ 4,268,745</u>	<u>\$ 4,268,745</u>

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 2,214,756	\$ 1,965,092
Investments of the cash management pool:		
Investment in STAR Ohio	(2,295,028)	2,295,028
U.S. Government money market mutual fund	(8,625)	8,625
Cash on hand	<u>(2,730)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (91,627)</u>	<u>\$ 4,268,745</u>

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

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

**NOTE 5 - INTERFUND TRANSACTIONS**

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

Transfers to Nonmajor Governmental funds from:	
General Fund	\$ 13,385

**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 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by state law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits alternate payment dates to be established.

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

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

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

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

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

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

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

The amount available as an advance at June 30, 2004 was \$147,567 in the general fund, \$18,739 in the debt service fund and \$2,608 in the maintenance fund. This amount has been recorded as revenue. The amount available as an advance at June 30, 2003 was \$83,587 in the general fund, \$12,199 in the debt service fund, and \$1,523 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 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 46,885,280	88.19	\$ 49,339,950	89.81
Public utility personal	4,556,980	8.57	4,131,430	7.52
Tangible personal property	<u>1,721,010</u>	<u>3.24</u>	<u>1,469,370</u>	<u>2.67</u>
Total	<u>\$ 53,163,270</u>	<u>100.00</u>	<u>\$ 54,940,750</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 40.70		\$ 40.70	

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The voters of the District passed a 1% school district income tax at the May 8, 1990, election and became effective January 1, 1991. This tax is effective indefinitely. School district income tax revenue received by the general fund during fiscal year 2004 was \$619,650.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2004 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:

<b>Governmental Activities:</b>	
Taxes	\$ 1,897,808
Accrued interest	3,827
Intergovernmental	<u>48,813</u>
Total	<u>\$ 1,950,448</u>

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

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

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

**NOTE 9 - CAPITAL ASSETS**

- A. The capital asset balances of the governmental activities have been restated due to changes in the District's capital asset policy (see Note 2.H.), a reappraisal, fund reclassification, and the depreciation of capital assets in accordance with GASB Statement No. 34.

	<u>Balance</u>	<u>Adjustments</u>	<u>Restated Balance</u>
	<u>June 30, 2003</u>		<u>July 1, 2003</u>
<b>Governmental Activities:</b>			
Capital assets, not being depreciated:			
Land	\$ -	\$ 65,060	\$ 65,060
Total capital assets, not being depreciated	<u>-</u>	<u>65,060</u>	<u>65,060</u>
Capital assets, being depreciated:			
Land improvements	77,490	496,012	573,502
Buildings and improvements	13,193,150	(187,076)	13,006,074
Furniture and equipment	2,175,766	(1,270,607)	905,159
Vehicles	583,480	64,254	647,734
Textbooks	876,786	(876,786)	-
Total capital assets, being depreciated	<u>16,906,672</u>	<u>(1,774,203)</u>	<u>15,132,469</u>
<i>Less: accumulated depreciation:</i>	<u>-</u>	<u>(2,082,339)</u>	<u>(2,082,339)</u>
Governmental activities capital assets, net	<u>\$ 16,906,672</u>	<u>\$ (3,791,482)</u>	<u>\$ 13,115,190</u>

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

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

**NOTE 9 - CAPITAL ASSETS - (Continued)**

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

	Restated Balance <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2004</u>
<b>Governmental Activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 65,060	\$ -	\$ (250)	\$ 64,810
Total capital assets, not being depreciated	<u>65,060</u>	<u>-</u>	<u>(250)</u>	<u>64,810</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	573,502	13,250	-	586,752
Buildings and improvements	13,006,074	-	-	13,006,074
Furniture and equipment	905,159	-	-	905,159
Vehicles	647,734	-	-	647,734
Total capital assets, being depreciated	<u>15,132,469</u>	<u>13,250</u>	<u>-</u>	<u>15,145,719</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(145,344)	(33,568)	-	(178,912)
Buildings and improvements	(1,280,451)	(309,608)	-	(1,590,059)
Furniture and equipment	(288,168)	(99,689)	-	(387,857)
Vehicles	(368,376)	(58,125)	-	(426,501)
Total accumulated depreciation	<u>(2,082,339)</u>	<u>(500,990)</u>	<u>-</u>	<u>(2,583,329)</u>
Governmental activities capital assets, net	<u>\$ 13,115,190</u>	<u>\$ (487,740)</u>	<u>\$ (250)</u>	<u>\$ 12,627,200</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:

Regular	\$ 241,214
Special	19,084
Vocational	19,176

Support Services:

Pupil	2,128
Instructional staff	31,379
Administration	12,837
Operations and maintenance	60,268
Pupil transportation	52,863
Extracurricular activities	33,704
Food service operations	<u>28,337</u>

Total depreciation expense \$ 500,990

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 10- CAPITAL LEASES - LESSEE DISCLOSURE**

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

Capital assets consisting of equipment have been capitalized in the amount of \$123,115. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2004 totaled \$39,878 paid by the general fund.

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

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 46,296
2006	<u>15,432</u>
Total minimum lease payments	61,728
Less amount representing interest	<u>(3,363)</u>
Total	<u>\$ 58,365</u>

**NOTE 11 - LONG-TERM OBLIGATIONS**

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

Payments of principal and interest relating to this liability is 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 description of the District's general obligation bonds outstanding as of June 30, 2004.

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance Outstanding June 30, 200</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Outstanding June 30, 2004</u>	<u>Amounts Due in One Year</u>
General obligation bond payable -							
Facilities Building	5.00%	12/01/23	\$ 1,670,000	\$ -	\$ (55,000)	\$ 1,615,000	\$ 50,000
Total			<u>\$ 1,670,000</u>	<u>\$ -</u>	<u>\$ (55,000)</u>	<u>\$ 1,615,000</u>	<u>\$ 50,000</u>

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**NOTE 11 - 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:

<u>Year Ending June 30</u>	<u>Principal on Bond</u>	<u>Interest on Bond</u>	<u>Total</u>
2005	\$ 50,000	\$ 97,975	\$ 147,975
2006	50,000	95,288	145,288
2007	55,000	92,439	147,439
2008	55,000	89,428	144,428
2009	60,000	86,250	146,250
2010 - 2014	350,000	374,945	724,945
2015 - 2019	485,000	237,380	722,380
2020 - 2024	<u>510,000</u>	<u>65,865</u>	<u>575,865</u>
Total	<u>\$ 1,615,000</u>	<u>\$ 1,139,570</u>	<u>\$ 2,754,570</u>

**B.** A summary of the energy conservation note transactions for the year ended June 30, 2004, follows:

<u>General Fund</u>	<u>Principal Outstanding July 1, 2003</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2004</u>
Energy Conservation Note - 5.80%	<u>\$ 90,490</u>	<u>\$ (49,322)</u>	<u>\$ 41,168</u>

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	<u>\$ 41,168</u>	<u>\$ 2,392</u>	<u>\$ 43,560</u>
Total	<u>\$ 41,168</u>	<u>\$ 2,392</u>	<u>\$ 43,560</u>

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

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

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

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

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

C. The balance of the District's governmental activities long-term obligations at June 30, 2003 has been restated. The compensated absences liability increased \$31,181 from \$310,800 to \$341,981 due to the implementation of GASB Interpretation No. 6 and due to fund reclassifications described in Note 3.A. In addition, pension obligations of \$57,451 at June 30, 2003 are not reported as a component of governmental activities long-term obligations as they are paid within one year of fiscal year-end. Pension obligations are reported separately on the statement of net assets. An energy conservation loan payable of \$90,490 was previously recorded in the General fund is now included in long-term obligations. The effect on the total governmental activities long-term obligations at July 1, 2003 was an increase of \$64,220 from \$2,266,165 to \$2,330,385. During the fiscal year 2004, the following changes occurred in governmental activities long-term obligations:

	Restated Balance Outstanding <u>July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	Balance Outstanding <u>June 30, 2004</u>	Amount Due in <u>One Year</u>
<b>Governmental Activities:</b>					
Energy conservation loan payable	\$ 90,490	\$ -	\$ (49,322)	\$ 41,168	\$ 41,168
Capital lease payable	98,243	-	(39,878)	58,365	43,188
Compensated absences	341,981	81,188	(37,577)	385,592	63,332
Early retirement incentive (see Note 12B)	129,671	-	(23,449)	106,222	54,479
General obligation bonds payable	<u>1,670,000</u>	<u>-</u>	<u>(55,000)</u>	<u>1,615,000</u>	<u>50,000</u>
Total long-term obligations, governmental activities	<u>\$ 2,330,385</u>	<u>\$ 81,188</u>	<u>\$ (205,226)</u>	<u>\$ 2,206,347</u>	<u>\$ 252,167</u>

**D. Legal Debt Margin**

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

The effects of these debt limitations at June 30, 2004 are a voted debt margin of \$3,525,391 and an unvoted debt margin of \$54,941.

**NOTE 12 - EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

**NOTE 12 - EMPLOYEE BENEFITS - (Continued)**

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

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

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

**B. Early Retirement Incentive**

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

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

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

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

**NOTE 13 - RISK MANAGEMENT**

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

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2004, the District contracted with a commercial insurer for building and personal property coverage in the blanket amount of \$22,724,203, 90% coinsurance, replacement cost endorsement and a \$1,000 deductible.

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

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

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

**NOTE 13 - RISK MANAGEMENT - (Continued)**

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

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.

**B. Employee Dishonesty Bonds**

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

**C. Workers' Compensation**

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

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

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

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

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

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

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

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

**NOTE 13 - RISK MANAGEMENT - (Continued)**

The claims liability of \$5,129 reported in the fund at June 30, 2004, is based on the requirements of GASB Statement No. 10, “Accounting and Financial Reporting for Risk Financing and Related Insurance Issues”, as amended by GASB Statement No. 30, “Risk Financing Omnibus”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The claims liability is based on an estimate supplied by the District’s third party administrator. Changes in the fund’s claims liability for the current and prior fiscal year are as follows:

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

The District also provides vision coverage for its employees on a fully-insured basis through Reliance Standard. The total monthly premium is \$9.12 for single coverage and \$20.20 for family coverage. This premium includes the employee portion, which is paid by the District. This amount is also capped by negotiated union contracts and cannot be raised, except through negotiated agreement.

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District’s contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2004, 9.09% of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS’ Retirement Board. The adequacy of the contribution rates is determined annually. The District’s required contributions to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$150,523, \$147,955, and \$151,715, respectively; 43.84% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$84,528, represents the unpaid contribution for fiscal year 2004.

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

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

**NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)**

**B. State Teachers Retirement System**

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

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

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

Plan members are required to contribute 10% of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14% of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal years 2004 and 2003, 13% of annual covered salary was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employee contributions. The District's required contributions to STRS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$470,178, \$463,143, and \$426,940, respectively; 83.58% has been contributed for fiscal year 2004 and 100% for the fiscal years 2003 and 2002. \$77,204, represents the unpaid contribution for fiscal year 2004. Contributions to the DC and Combined Plans for fiscal year 2004 were \$246 made by the District and \$260 made by plan members.

**C. Social Security System**

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

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

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

**NOTE 15 - POSTEMPLOYMENT BENEFITS**

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$33,584 during fiscal 2004.

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

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50% for those who apply.

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

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2004 were \$223.444 million and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million and SERS had approximately 62,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$70,894 during the 2004 fiscal year.

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing uses are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

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

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

**NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

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

**Net Change in Fund Balance**

	<u>General Fund</u>
Budget basis	\$ (291,815)
Net adjustment for revenue accruals	141,503
Net adjustment for expenditure accruals	(193,029)
Net adjustment for other sources/uses	(9,600)
Adjustment for encumbrances	<u>314,517</u>
GAAP basis	<u>\$ (38,424)</u>

**NOTE 17 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

**C. State School Funding Decision**

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the state's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future state funding and its financial operations.

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

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

**NOTE 18 - GROUP PURCHASING POOL**

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

**NOTE 19 - STATUTORY RESERVES**

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

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>BWC Refunds</u>
Set-aside cash balance as of June 30, 2003	\$ (167,626)	\$ (1,638,088)	\$ 50,385
Current year set-aside requirement	136,365	136,365	-
Qualifying disbursements	<u>(244,251)</u>	<u>(45,588)</u>	<u>-</u>
 Total	 <u>\$ (275,512)</u>	 <u>\$ (1,547,311)</u>	 <u>\$ 50,385</u>
 Cash balance carried forward to FY 2005	 <u>\$ (275,512)</u>	 <u>\$ (1,547,311)</u>	 <u>\$ 50,385</u>

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

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

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

Amounts restricted for BWC refunds	\$ 50,385
Amounts restricted for school bus purchases	<u>6,745</u>
 Total restricted assets	 <u>\$ 57,130</u>

**NOTE 20 - LAND LEASE AGREEMENT**

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

## **SUPPLEMENTAL DATA**

**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

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
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
<b>Nutrition Cluster:</b>						
(A),(B) Food Distribution	10.550	N/A	\$ -	\$ 38,843	\$ -	\$ 38,843
(A),(C) School Breakfast Program	10.553	049460-05-PU-2003	6,490	-	6,490	-
(A),(C) School Breakfast Program	10.553	049460-05-PU-2004	33,391	-	33,391	-
(A),(C) National School Lunch	10.555	049460-LLP4-2003	18,384	-	18,384	-
(A),(C) National School Lunch	10.555	049460-LLP4-2004	96,286	-	96,286	-
<b>Total U.S. Department of Agriculture and Nutrition Cluster</b>			<u>154,551</u>	<u>38,843</u>	<u>154,551</u>	<u>38,843</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE N/A</b>						
Twenty-First Century Community Learning Center	84.287	N/A	<u>363,470</u>		<u>364,750</u>	
<b>PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:</b>						
Title I Grants to Local Educational Agencies	84.010	049460-C1-S1-2003	17,639		31,510	
Title I Grants to Local Educational Agencies	84.010	049460-C1-S1-2004	339,406		322,302	
<b>Total Title I Grants to Local Educational Agencies</b>			<u>357,045</u>		<u>353,812</u>	
Special Education: Grants to States	84.027	049460-6B-SF-2003-P	432		9,257	
Special Education: Grants to States	84.027	049460-6B-SF-2004-P	128,106		108,710	
<b>Total Special Education: Grants to States</b>			<u>128,538</u>		<u>117,967</u>	
Safe and Drug-Free Schools and Communities- State Grants	84.186	049460-DR-S1-2004	<u>7,322</u>		<u>7,322</u>	
State Grants for Innovative Programs	84.298	049460-C2-S1-2003	544		600	
State Grants for Innovative Programs	84.298	049460-C2-S1-2004	5,116		4,846	
<b>Total State Grants for Innovative Programs</b>			<u>5,660</u>		<u>5,446</u>	
Technology Literacy Challenge	84.318	049460-TJ-S1-2003	4,713		7,160	
Technology Literacy Challenge	84.318	049460-TJ-S1-2004	9,398		9,028	
<b>Total Technology Literacy Challenge</b>			<u>14,111</u>		<u>16,188</u>	
Rural Education	84.358	049460-RU-S1-2004	<u>26,227</u>		<u>23,044</u>	
Improving Teacher Quality State Grants	84.367	049460-TR-S1-2003	15,116		22,130	
Improving Teacher Quality State Grants	84.367	049460-TR-S1-2004	71,050		61,440	
<b>Total Improving Teacher Quality State Grants</b>			<u>86,166</u>		<u>83,570</u>	
<b>Total U.S. Department of Education</b>			<u>988,539</u>		<u>972,099</u>	
<b>Total Federal Financial Assistance</b>			<u>\$ 1,143,090</u>	<u>\$ 38,843</u>	<u>\$ 1,126,650</u>	<u>\$ 38,843</u>

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

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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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, business type activities, each major fund, and the aggregate remaining fund information of the Plymouth-Shiloh Local School District, Richland County, (the “District”), as of and for the fiscal year ended June 30, 2004, which collectively comprise the basic financial statements and have issued our report thereon dated January 31, 2005. During the fiscal year ended June 30, 2004, the Plymouth-Shiloh Local School District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for capital assets as described in Note 2.H and an updated appraisal as described in Note 9. As disclosed in Note 3, the District had a prior period adjustment for the reclassification of a long-term energy conservation loan. 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.

Board of Education  
Plymouth-Shiloh Local School District

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the District and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a certain matter that we have reported to the management of the District in a separate letter dated January 31, 2005.

Compliance and Other Matters

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

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



Trimble, Julian & Grube, Inc.  
January 31, 2005

# TRIMBLE, JULIAN & GRUBE, INC.

“SERVING OHIO LOCAL GOVERNMENTS”

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

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

### Compliance

We have audited the compliance of Plymouth-Shiloh Local School District, Richland County, (the “District”), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the fiscal year ended June 30, 2004. During the fiscal year ended June 30, 2004, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units; GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, and GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences. In addition, the District had a change in accounting principle for its threshold for capital assets as described in Note 2.H and an updated appraisal as described in Note 9. As disclosed in Note 3, the District had a prior period adjustment for the reclassification of a long-term energy conservation loan. The District’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District’s management. Our responsibility is to express an opinion on the District’s compliance based on our audit.

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

Board of Education  
Plymouth-Shiloh Local School District

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

Internal Control Over Compliance

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

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

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



Trimble, Julian & Grube, Inc.  
January 31, 2005

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

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

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

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

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

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

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

None.

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

None.





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**PLYMOUTH-SHILOH LOCAL SCHOOL DISTRICT**

**RICHLAND COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 31, 2005**