

# **Wooster City School District**

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*Financial Statements*

***June 30, 2004***





**Auditor of State  
Betty Montgomery**

Board of Education  
Wooster City School District  
144 North Market Street  
Wooster, Ohio 44691

We have reviewed the *Independent Auditor's Report* of the Wooster City School District, Wayne County, prepared by Rea & Associates, 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 Wooster City School District is responsible for compliance with these laws and regulations.

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

BETTY MONTGOMERY  
Auditor of State

January 3, 2006

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**WOOSTER CITY SCHOOL DISTRICT**

*For the year Ended June 30, 2004*

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# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

The Board of Education  
Wooster City School District  
Wooster, Ohio 44691

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Wooster City School District, Wayne County, Ohio, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Governmental 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 basic 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 opinion.

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 Wooster City School District, Wayne County, Ohio, as of June 30, 2004, and the respective changes in financial position and the cash flows of its business type activities, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As stated in Note 3, Wooster City School District adopted Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statements and Management's Discussion and Analysis, No. 37, Basic Financial Statements-and Management's Discussion and Analysis-For State and Local Governments: Omnibus, No. 38, Certain Financial Statement Note Disclosures, No. 41, "Budgetary Comparison Schedules-Perspective Difference (an amendment of GASB Statement No. 34)," and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financials".

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 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 read in conjunction with the report in considering the results of our audit.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the 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 supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Wooster City School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. 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.

*Rea & Associates, Inc.*



**Wooster City School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2004*  
*Unaudited*

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The discussion and analysis of the Wooster City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key Financial Highlights for 2004 are as follows:

- ❑ General Revenues accounted for \$38.3 million in revenue or 85.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$6.7 million or 14.9% of total revenues of \$45 million.
- ❑ Total program expenses were \$48.8 million, \$45.5 million in Governmental Activities, and \$3.3 million in Business Type Activities.
- ❑ In total, net assets decreased nearly \$4 million. Net assets of governmental activities decreased \$3.5 million, which represents a 15.8% decrease from 2003. Net assets of business-type activities decreased .3 million or 11.1% from 2003.
- ❑ Outstanding debt decreased from \$27.5 million to \$26.8 million through principal payments.

### **Using this Annual Report**

This annual report consists of the MD&A, the basic financial statements and the notes to the basic financial statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School 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 highlight the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Wooster City School District, the general fund is by far the most significant fund.

### ***Reporting the School 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 School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis

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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 School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two distinct kinds of activities:

- ❑ **Governmental Activities** - Most of the School 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 of the expenses of the goods or services provided. The School District food service, uniform supplies and recreation center are reported as business activities.

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

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

**Governmental Funds** - Most of the School 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 School 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.

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Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and permanent improvement capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget. The governmental fund financial statements begin on page 16.

**Proprietary Funds** - The School District maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The School District uses enterprise funds to account for its food service, uniform school supplies, recreation center, and adult and community education programs. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses an internal service fund to account for its drug benefit program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within the governmental activities in the government-wide financial statements. The proprietary fund financial statements begin on page 22.

**Fiduciary Funds** - These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting for the fiduciary funds is much like that used to proprietary funds. The fiduciary fund financial statements begin on page 25.

**Notes to the 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. The notes to the financial statements begin on page 27.

**The School District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

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*Management's Discussion and Analysis*  
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Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

**(Table 1)**  
**Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current and Other Assets	\$ 35,851,402	\$ 40,355,284	\$ 642,405	\$ 895,872	\$ 36,493,807	\$ 41,251,156
Capital Assets	44,200,640	44,885,539	2,075,514	2,162,586	46,276,154	47,048,125
Total Assets	80,052,042	85,240,823	2,717,919	3,058,458	82,769,961	88,299,281
<b>Liabilities</b>						
Long-Term Liabilities	(31,550,904)	(30,646,143)	(179,367)	(425,704)	(31,730,271)	(31,071,847)
Other Liabilities	(29,518,634)	(32,062,860)	(290,804)	(104,513)	(29,809,438)	(32,167,373)
Total Liabilities	(61,069,538)	(62,709,003)	(470,171)	(530,217)	(61,539,709)	(63,239,220)
<b>Net Assets</b>						
Invested in Capital						
Assets Net of Debt	20,574,061	18,139,738	2,075,514	2,162,586	22,649,575	20,302,324
Restricted	4,725,434	4,849,203	19,550	113,058	4,744,984	4,962,261
Unrestricted (Deficit)	(6,316,991)	(457,121)	152,684	252,597	(6,164,307)	(204,524)
Total Net Assets	<u>\$ 18,982,504</u>	<u>\$ 22,531,820</u>	<u>\$ 2,247,748</u>	<u>\$ 2,528,241</u>	<u>\$ 21,230,252</u>	<u>\$ 25,060,061</u>

Total assets decreased by \$5.5 million comprised by the governmental activities. A decrease of approximately \$.8 million in total capital assets reflects depreciation exceeding additional purchases. Total liabilities decreased by approximately \$1.8 with governmental liabilities comprising most of that amount. The majority of this amount is a decrease in deferred revenue.

The net assets of the School District governmental activities decreased approximately \$3.5 million or 15.8%. This decrease can be attributed to expenses exceeding revenues.

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Table 2 shows the changes in net assets for fiscal year 2004. Since this is the first year the School District has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to fiscal year 2003 are not available. This table will present two fiscal years in side-by-side comparisons in successive reporting years. This will enable the reader to draw further conclusion about the School District's financial status and possibly project future problems.

**(Table 2)**  
**Governmental and Business-Type Activities**

	Governmental Activities	Business-Type Activities	Total
	2004	2004	2004
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 562,314	\$ 2,132,793	\$ 2,695,107
Operating Grants	3,075,904	647,714	3,723,618
Capital Grants	273,195	0	273,195
<i>General Revenue:</i>			
Property Taxes	29,452,722	0	29,452,722
Grants and Entitlements	8,313,462	0	8,313,462
Other	361,727	141,419	503,146
<b>Total Revenues</b>	<b>42,039,324</b>	<b>2,921,926</b>	<b>44,961,250</b>
<b>Program Expenses</b>			
Instruction	26,240,805	0	26,240,805
Support Services	15,762,784	0	15,762,784
Operation of Non-Instructional	561,463	0	561,463
Extracurricular Activities	679,801	0	679,801
Interest and Fiscal Charges	2,211,787	0	2,211,787
Lunchroom	0	1,473,946	1,473,946
Uniform Supplies	0	12,013	12,013
Education Costs for Outside Entities	0	1,605,688	1,605,688
Recreation Center	0	242,772	242,772
<b>Total Expenses</b>	<b>45,456,640</b>	<b>3,334,419</b>	<b>48,791,059</b>
<i>Increase (Decrease) in Net Assets (before transfers)</i>	<i>(3,417,316)</i>	<i>(412,493)</i>	<i>(3,829,809)</i>
Net Transfers	(132,000)	132,000	0
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (3,549,316)</b>	<b>\$ (280,493)</b>	<b>\$ (3,829,809)</b>

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**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$26.4 million and expenditures of \$24.9 million. Comparisons to 2003 have not been made since they are not available.

**(Table 3)**  
**Governmental Activities**

	2004	
	Total Cost of Service	Net Cost of Service
Instruction	\$ 26,240,805	\$ 23,898,191
Support Services:		
Pupil and Instructional Staff	4,637,475	4,148,809
Board of Education, Administration, Fiscal and Business	4,373,530	4,219,703
Operation and Maintenance of Plant and Central	5,075,220	4,699,600
Pupil Transportation	1,676,559	1,569,428
Operation of Non-Instructional	561,463	278,528
Extracurricular Activities	679,801	519,181
Interest and Fiscal Charges	2,211,787	2,211,787
Total Expenses	\$ 45,456,640	\$ 41,545,227

Instruction and Student Support Services comprise 68% of governmental program expenses. Interest/Fiscal charges were less than 4%. Interest expense was attributable to the outstanding notes, and fiscal expenses include payments to the County Auditors for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 15% of governmental program expenses.

The dependence upon tax revenues for governmental activities is apparent. The community, as a whole, is by far the primary support for Wooster City School District students.

**Business-Type Activities**

Business-type activities include the recreation center, the food service operations, the sale of uniform school supplies and community activities. These programs had revenues of \$2,921,926 and expenses of \$3,334,419 for fiscal year 2004. Business activities receive no support from tax revenues.

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**Financial Analysis of the Government's Funds**

***Governmental Funds***

The focus of the School District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School District's net resources available for spending at year-end.

The School District's governmental funds (as presented on the balance sheet on pages 16-17) reported a total fund balance of \$4,414,220, which is \$2,633,388 under last year's balance of \$7,056,754. The most significant changes within the School District's major funds was reported in the General fund with a decrease in fund balance of \$2,131,035.

***General Fund***

The general fund is the main operating fund of the School District. At the end of 2004, the fund balance in the general fund was \$(113,568), which is a decrease of \$2,131,035 from 2003, which is primarily due to a decrease in intergovernmental revenue and an overall increase in expenditures.

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of 2004, the fund balance in the debt service fund was \$3,189,659, which is a decrease of \$332,816 from 2003.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2004, the School District modified its General fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, there was an insignificant difference of \$.02 million between the budget basis revenue of \$34.45 million, and the original budget estimates of \$34.43 million.

Final appropriations of \$37.7 million were an insignificant \$.2 million less than the \$37.9 million in the original budget.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2004, the School District had \$46.3 million invested in land, construction in progress, buildings, equipment and textbooks. A total of \$44.2 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2004 balances compared with 2003.

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**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$ 5,492,097	\$ 5,492,097	\$ 0	\$ 0	\$ 5,492,097	\$ 5,492,097
Construction in Progress	0	1,164,991	0	0	0	1,164,991
Buildings and Improvements	32,785,323	32,114,078	2,045,207	2,095,914	34,830,530	34,209,992
Furniture and Equipment	1,017,446	1,080,128	30,307	66,671	1,047,753	1,146,799
Vehicles	553,563	591,678	0	0	553,563	591,678
Textbooks	105,470	105,470	0	0	105,470	105,470
Ice Arena	4,246,741	4,337,097	0	0	4,246,741	4,337,097
<b>Totals</b>	<b>\$ 44,200,640</b>	<b>\$ 44,885,539</b>	<b>\$ 2,075,514</b>	<b>\$ 2,162,585</b>	<b>\$ 46,276,154</b>	<b>\$ 47,048,124</b>

The \$.8 million decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Additional details of the capital assets can be found in [note 9](#) to the basic financial statements.

**Debt**

At June 30, 2004, the School District had \$26.8 million in bonds outstanding with \$1.2 million due within one year. During fiscal year 2004, \$1.1 million of general obligation bonds were retired and \$.5 million of accretion was added to the capital appreciation bonds. Table 5 summarizes bonds outstanding.

**(Table 5)**  
**Outstanding Debt, at June 30**

	Governmental Activities 2004	Governmental Activities 2003
General Obligation Bonds:		
1993 Improvement Bonds	\$ 4,076,748	\$ 4,553,367
1997 Bond Refunding	15,885,000	16,445,000
1997 Capital Appreciation Bonds	3,664,831	3,664,831
Accretion on Capital Appreciation Bonds (1997)	2,572,593	2,082,603
Energy Conservation Bond	580,355	709,681
<b>Totals</b>	<b>\$ 26,779,527</b>	<b>\$ 27,455,482</b>

In 1993, the School District issued \$32,000,000 in general obligation bonds for renovation and construction of school facilities. The bonds mature in December 2018.



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In 1997, the School District issued \$24,994,832 in refunded general obligation bonds. These include current interest bonds which mature December 2017, and capital appreciation bonds which mature December 2013.

More information about the long-term obligations is in note 14 to the basic financial statements.

### **Current Issues**

The Wooster City School District continues to receive strong support from the residents of the school district. As the preceding information shows, the School District relies heavily on its local property taxpayers. The residents of the district passed an operating levy in March 2004 and the Board of Education anticipates that proceeds from this levy will sustain the district through fiscal year 2008. An operating levy is projected to be submitted to the voters of the district in 2008 or 2009.

Real estate tax collections have shown very small increases, and personal property tax collections have decreased. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners), the effective tax rate would become .5 mills, and the owner would still pay \$35.00.

Thus, school districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 78% of revenues for governmental activities for the Wooster City Schools in fiscal year 2005.

The district has been affected by changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. During the summer of 2005, the Ohio legislature approved Ohio House Bill 66, which includes the phased-out elimination of the tangible personal property tax. This affects taxes on all business tangible property and public utility property (telephone companies and railroads) – roughly 20% of the district's general fund revenues. While this discontinued revenue will be partially reimbursed by the State of Ohio for five (5) years, this loss of revenue must be anticipated and replaced in the future.

Management diligently planned expenses so that the last levy stretched for the four years as planned, and that remains the goal with the levy passed in March 2004. This goal continues to be increasingly difficult in light of additional mandates in gifted education, rising utility and gasoline costs (especially in light of the recent hurricanes), increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional education 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 (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court. The Governor appointed a Task Force to address the issues raised in the DeRolph Court Case, and recommendations were released in February 2005. The Ohio Legislature continues to review these recommendations and action may be taken in the future.

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The Wooster City School District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the School District. The State Legislature's biennial budget was approved and became effective on July 1, 2005. The district anticipates no increased funding over the next two years. In fact, funding may decrease due to a lack of funding for new bus purchases, no student intervention funding, and the state's tendency to reduce funding when they do not meet their budget.

All scenarios require management to plan carefully and prudently to provide the resources to meet student needs over the next several years.

In addition, the School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dave Denbow, Treasurer/CFO of Wooster City School District, 144 N. Market Street, Wooster, Ohio, 44691.

**Wooster City School District**  
*Statement of Net Assets*  
June 30, 2004

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 6,727,524	\$ 583,858	\$ 7,311,382
Receivables:			
Taxes	28,052,705	0	28,052,705
Accounts	15,299	256	15,555
Internal Balances	293,000	(293,000)	0
Intergovernmental	709,881	307,248	1,017,129
Prepaid Items	52,993	0	52,993
Inventory Held For Resale	0	40,484	40,484
Inventory	0	3,559	3,559
Nondepreciable Capital Assets	5,492,097	0	5,492,097
Depreciable Capital Assets (Net)	38,708,543	2,075,514	40,784,057
<i>Total Assets</i>	<u>80,052,042</u>	<u>2,717,919</u>	<u>82,769,961</u>
<b>Liabilities</b>			
Accounts Payable	243,881	4,922	248,803
Accrued Wages and Benefits	3,350,245	229,748	3,579,993
Severance Payable	441,839	0	441,839
Intergovernmental Payable	1,024,249	56,134	1,080,383
Unearned Revenue	23,875,605	0	23,875,605
Claims Payable	582,815	0	582,815
Long Term Liabilities:			
Due Within One Year	1,370,709	1,147	1,371,856
Due Within More Than One Year	30,180,195	178,220	30,358,415
<i>Total Liabilities</i>	<u>61,069,538</u>	<u>470,171</u>	<u>61,539,709</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	20,574,061	2,075,514	22,649,575
Restricted for:			
Capital Projects	1,133,524	0	1,133,524
Debt Service	3,285,475	0	3,285,475
Other Purposes	306,435	19,550	325,985
Unrestricted	(6,316,991)	152,684	(6,164,307)
<i>Total Net Assets</i>	<u>\$ 18,982,504</u>	<u>\$ 2,247,748</u>	<u>\$ 21,230,252</u>

See accompanying notes to the basic financial statements.

**Wooster City School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2004

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities</b>				
Current:				
Instruction:				
Regular	\$ 20,518,010	\$ 333,575	\$ 945,822	\$ 0
Special	4,018,461	0	1,044,706	0
Vocational	523,030	0	4,450	0
Other	1,181,304	0	14,061	0
Support services:				
Pupils	2,207,318	12,307	206,332	0
Instructional Staff	2,430,157	17,942	252,085	0
Board of Education	181,139	0	0	0
Administration	2,965,583	0	81,431	0
Fiscal	985,261	32,177	37,087	3,132
Business	241,547	0	0	0
Operation and Maintenance of Plant	4,531,676	1,390	70,609	270,063
Pupil Transportation	1,676,559	1,463	105,668	0
Central	543,544	298	33,260	0
Operation of Non-Instructional Services	471,107	2,542	280,393	0
Extracurricular Activities	679,801	160,620	0	0
Depreciation Expense not Included in Other Functions (See Note XX)	90,356	0	0	0
Interest and Fiscal Charges	2,211,787	0	0	0
<i>Total Governmental Activities</i>	<u>45,456,640</u>	<u>562,314</u>	<u>3,075,904</u>	<u>273,195</u>
<b>Business-Type Activities</b>				
Food Service	1,473,946	650,697	622,304	0
Uniform School Supplies	12,013	16,575	0	0
Education Costs for Outside Entities	1,605,688	1,306,580	25,410	0
Recreation Center	242,772	158,941	0	0
<i>Total Business-Type Activities</i>	<u>3,334,419</u>	<u>2,132,793</u>	<u>647,714</u>	<u>0</u>
<i>Totals</i>	<u>\$ 48,791,059</u>	<u>\$ 2,695,107</u>	<u>\$ 3,723,618</u>	<u>\$ 273,195</u>

**General Revenues**

Property Taxes Levied for:  
General Purposes  
Debt Service  
Capital Outlay  
Grants and Entitlements not Restricted to Specific Programs  
Investment Earnings  
Miscellaneous

Total General Revenues

Net Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (19,238,613)	\$ 0	\$ (19,238,613)
(2,973,755)	0	(2,973,755)
(518,580)	0	(518,580)
(1,167,243)	0	(1,167,243)
(1,988,679)	0	(1,988,679)
(2,160,130)	0	(2,160,130)
(181,139)	0	(181,139)
(2,884,152)	0	(2,884,152)
(912,865)	0	(912,865)
(241,547)	0	(241,547)
(4,189,614)	0	(4,189,614)
(1,569,428)	0	(1,569,428)
(509,986)	0	(509,986)
(188,172)	0	(188,172)
(519,181)	0	(519,181)
(90,356)	0	(90,356)
(2,211,787)	0	(2,211,787)
(41,545,227)	0	(41,545,227)
0	(200,945)	(200,945)
0	4,562	4,562
0	(273,698)	(273,698)
0	(83,831)	(83,831)
0	(553,912)	(553,912)
(41,545,227)	(553,912)	(42,099,139)
26,458,389	0	26,458,389
2,385,412	0	2,385,412
608,921	0	608,921
8,313,462	0	8,313,462
123,826	5,077	128,903
237,901	136,342	374,243
38,127,911	141,419	38,269,330
(132,000)	132,000	0
(3,549,316)	(280,493)	(3,829,809)
22,531,820	2,528,241	25,060,061
<u>\$ 18,982,504</u>	<u>\$ 2,247,748</u>	<u>\$ 21,230,252</u>

**Wooster City School District**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2004*

	General	Debt Service	Other Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 830,048	\$ 2,945,459	\$ 1,584,737
Receivables:			
Taxes	25,231,342	2,249,125	572,238
Accounts	679	0	59
Interfund	455,000	0	0
Intergovernmental	260,529	0	449,352
Prepaid Items	52,993	0	0
<i>Total Assets</i>	<u>\$ 26,830,591</u>	<u>\$ 5,194,584</u>	<u>\$ 2,606,386</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 151,945	\$ 0	\$ 91,936
Accrued Wages and Benefits	3,157,576	0	192,669
Compensated Absences Payable	441,839	0	0
Interfund Payable	0	0	162,000
Intergovernmental Payable	655,457	0	43,589
Deferred Revenue	22,537,342	2,004,925	778,063
<i>Total Liabilities</i>	26,944,159	2,004,925	1,268,257
<b>Fund Balances</b>			
Fund Balance:			
Reserved for Encumbrances	112,733	0	251,247
Reserved for Prepaid Items	52,993	0	0
Reserved for Tax Revenue Unavailable for Appropriation	2,694,000	244,200	61,800
Unreserved:			
General Fund	(2,973,294)	0	0
Special Revenue Funds	0	0	191,618
Debt Service Fund	0	2,945,459	0
Capital Projects Funds	0	0	833,464
<i>Total Fund Balances</i>	<u>(113,568)</u>	<u>3,189,659</u>	<u>1,338,129</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 26,830,591</u>	<u>\$ 5,194,584</u>	<u>\$ 2,606,386</u>

See accompanying notes to the basic financial statements.

**Wooster City School District**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2004*

Total Governmental Funds	Total Governmental Fund Balances	\$ 4,414,220
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 5,360,244	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	44,200,640
28,052,705	Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	
738	Grants	\$ 267,626
455,000	Delinquent Property Taxes	1,177,100
709,881		1,444,726
52,993		
\$ 34,631,561	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.	799,026
\$ 243,881	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
3,350,245	General Obligation Bonds	26,779,527
441,839	Compensated Absences	4,771,378
162,000	Intergovernmental Payable	325,203
699,046		(31,876,108)
25,320,330	Net Assets of Governmental Activities	\$ 18,982,504
30,217,341		
363,980		
52,993		
3,000,000		
(2,973,294)		
191,618		
2,945,459		
833,464		
4,414,220		
\$ 34,631,561		

**Wooster City School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2004*

	General	Debt Service	Other Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 26,316,658	\$ 2,371,879	\$ 605,447
Intergovernmental	8,259,049	0	3,405,687
Investment Income	89,253	22,548	12,025
Tuition and Fees	275,486	0	18,618
Extracurricular Activities	0	0	236,436
Rentals	31,774	0	0
Gifts and Donations	0	0	154,190
Miscellaneous	16,216	0	68,155
<i>Total Revenues</i>	34,988,436	2,394,427	4,500,558
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular	17,529,472	0	1,293,171
Special	2,934,164	0	1,084,224
Vocational	490,879	0	5,914
Other	1,165,949	0	15,355
Support Services:			
Pupils	1,849,663	0	264,531
Instructional Staff	2,112,847	0	256,229
Board of Education	181,139	0	0
Administration	2,899,861	0	87,436
Fiscal	889,087	0	51,292
Business	223,187	0	0
Operation and Maintenance of Plant	4,062,634	0	165,804
Pupil Transportation	1,394,693	0	216,831
Central	483,879	0	47,529
Operation of Non-Instructional Services	157,051	0	281,249
Extracurricular Activities	429,622	0	221,193
Capital outlay	7,544	0	694,637
Debt Service:			
Principal Retirement	0	1,165,946	0
Interest and Fiscal Charges	0	1,721,797	0
<i>Total Expenditures</i>	36,811,671	2,887,743	4,685,395
<i>Excess of Revenues Over (Under) Expenditures</i>	(1,823,235)	(493,316)	(184,837)
<b>Other Financing Sources (Uses):</b>			
Transfers In	0	160,500	17,945
Transfers Out	(307,800)	0	(2,645)
<i>Total Financing Sources and (Uses)</i>	(307,800)	160,500	15,300
<i>Net Change in Fund Balance</i>	(2,131,035)	(332,816)	(169,537)
<i>Fund Balance (Deficit) at Beginning of Year, as Restated (See Note 3)</i>	2,026,613	3,522,475	1,507,666
<i>Increase (Decrease) in Reserve for Inventory</i>	(9,146)	0	0
<i>Fund Balance (Deficit) at End of Year</i>	\$ (113,568)	\$ 3,189,659	\$ 1,338,129

See accompanying notes to the basic financial statements.



**Wooster City School District**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2004*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$ (2,633,388)
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 29,293,984	Governmental funds report capital outlays as expenditures,	
11,664,736	However, in the statement of activities, the cost of those	
123,826	assets is allocated over their estimated useful lives as	
294,104	depreciation expense. This is the amount by which	
236,436	capital outlay exceeded depreciation in the current period.	
31,774	Capital Asset Additions	\$ 828,166
154,190	Current Year Depreciation	<u>(1,513,065)</u>
84,371		(684,899)
41,883,421	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
	Grants	(2,834)
	Delinquent Property Taxes	<u>158,738</u>
		155,904
18,822,643	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
4,018,388	Bond Principal	1,165,946
496,793		
1,181,304		
2,114,194	Some expenses reported in the statement of net activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.	
2,369,076	Bond Accretion	(489,990)
181,139	Compensated Absences	(622,500)
2,987,297	Pension Obligation	12,245
940,379	Change in Inventory	<u>(9,146)</u>
223,187		(1,109,391)
4,228,438		
1,611,524	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. The net revenue (expense) of internal service funds is reported with governmental activities.	<u>(443,488)</u>
531,408		
438,300		
650,815		
702,181		
1,165,946		
1,721,797	Change in Net Assets of Governmental Activities	<u>\$ (3,549,316)</u>
44,384,809		
(2,501,388)		
178,445		
(310,445)		
(132,000)		
(2,633,388)		
7,056,754		
(9,146)		
\$ 4,414,220		

**Wooster City School District**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -  
 Budget (Non-GAAP Basis) and Actual  
 General Fund  
 For the Fiscal Year Ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 25,831,961	\$ 25,831,961	\$ 24,836,038	\$ (995,923)
Intergovernmental	8,192,884	8,192,884	8,259,049	66,165
Investment Income	100,000	100,000	89,253	(10,747)
Tuition and Fees	193,683	150,910	314,636	163,726
Rentals	20,000	20,000	15,973	(4,027)
Miscellaneous	27,890	95,471	73,297	(22,174)
<i>Total Revenues</i>	<u>34,366,418</u>	<u>34,391,226</u>	<u>33,588,246</u>	<u>(802,980)</u>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	22,364,609	21,966,849	21,861,242	105,607
Support Services				
Pupils	1,830,657	1,851,304	1,816,386	34,918
Instructional Staff	2,255,170	2,203,010	2,108,065	94,945
Board of Education	193,270	229,029	219,927	9,102
Administration	2,993,699	2,915,513	2,903,568	11,945
Fiscal	909,286	919,836	903,297	16,539
Business	235,282	222,350	222,154	196
Operation and Maintenance of Plant	4,098,268	4,065,506	4,050,645	14,861
Pupil Transportation	1,457,862	1,411,298	1,381,226	30,072
Central	597,579	497,452	487,780	9,672
Operation of Non-Instructional Services	159,642	159,642	157,621	2,021
Extracurricular Activities	450,400	431,245	429,120	2,125
Capital Outlay	14,512	12,212	12,142	70
<i>Total Expenditures</i>	<u>37,560,236</u>	<u>36,885,246</u>	<u>36,553,173</u>	<u>332,073</u>
Excess of Revenues Over (Under) Expenditures	(3,193,818)	(2,494,020)	(2,964,927)	(470,907)
<b>Other Financing Sources (Uses):</b>				
Advances In	62,850	62,850	62,850	0
Advances Out	0	(456,500)	(456,500)	0
Transfers Out	(331,050)	(331,050)	(307,800)	23,250
<i>Total Other Financing Sources (Uses)</i>	<u>(268,200)</u>	<u>(724,700)</u>	<u>(701,450)</u>	<u>23,250</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	(3,462,018)	(3,218,720)	(3,666,377)	(447,657)
<i>Fund Balance (Deficit) at Beginning of Year</i>	3,851,049	3,851,049	3,851,049	0
Prior Year Encumbrances Appropriated	380,699	380,699	380,699	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 769,730</u>	<u>\$ 1,013,028</u>	<u>\$ 565,371</u>	<u>\$ (447,657)</u>

See accompanying notes to the basic financial statements.

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**Wooster City School District**  
*Statement of Net Assets*  
*Proprietary Funds*  
*June 30, 2004*

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Recreation	NonMajor	Total	Internal Service
	Center			Fund
<b>Assets</b>				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 235,879	\$ 347,979	\$ 583,858	\$ 1,367,280
Accounts Receivable	216	40	256	14,561
Intergovernmental Receivable	0	307,248	307,248	0
Inventory Held For Resale	0	40,484	40,484	0
Inventory	0	3,559	3,559	0
<i>Total Current Assets</i>	236,095	699,310	935,405	1,381,841
Non Current Assets:				
Depreciable Capital Assets (Net)	2,056,301	19,213	2,075,514	0
<i>Total Assets</i>	2,292,396	718,523	3,010,919	1,381,841
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,002	3,920	4,922	0
Accrued Wages and Benefits	6,290	223,458	229,748	0
Interfund Payable	0	293,000	293,000	0
Intergovernmental Payable	2,470	53,664	56,134	0
Claims Payable	0	0	0	582,815
<i>Total Current Liabilities</i>	9,762	574,042	583,804	582,815
Long Term Liabilities:				
Compensated Absences	4,896	174,471	179,367	0
<i>Total Liabilities</i>	14,658	748,513	763,171	582,815
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	2,056,301	19,213	2,075,514	0
Restricted	0	19,550	19,550	0
Unrestricted	221,437	(68,753)	152,684	799,026
<i>Total Net Assets</i>	\$ 2,277,738	\$ (29,990)	\$ 2,247,748	\$ 799,026

See accompanying notes to the basic financial statements.

**Lake Local School District**  
*Statement of Revenues, Expenses and Changes in Fund Net Assets*  
*Proprietary Funds*  
*For the Fiscal Year Ended June 30, 2004*

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Center	NonMajor	Total	
<b>Operating Revenues:</b>				
Tuition	\$ 0	\$ 1,306,580	\$ 1,306,580	\$ 0
Sales	158,941	667,272	826,213	0
Charges for Services	0	0	0	4,886,732
Other Operating Revenues	0	136,342	136,342	64,594
<i>Total Operating Revenues</i>	<u>158,941</u>	<u>2,110,194</u>	<u>2,269,135</u>	<u>4,951,326</u>
<b>Operating Expenses:</b>				
Salaries	81,754	1,557,972	1,639,726	0
Fringe Benefits	27,835	600,874	628,709	0
Purchased Services	53,683	833,815	887,498	363,590
Materials and Supplies	13,309	78,105	91,414	0
Claims Payable	0	0	0	5,047,396
Depreciation	66,191	20,881	87,072	0
<i>Total Operating Expenses</i>	<u>242,772</u>	<u>3,091,647</u>	<u>3,334,419</u>	<u>5,410,986</u>
Operating Income (Loss)	<u>(83,831)</u>	<u>(981,453)</u>	<u>(1,065,284)</u>	<u>(459,660)</u>
<b>Non-Operating Revenues (Expenses):</b>				
Federal Donated Commodities	0	33,053	33,053	0
Operating Grants	0	614,661	614,661	0
Interest	2,056	3,021	5,077	16,172
<i>Total Non-Operating Revenues (Expenses)</i>	<u>2,056</u>	<u>650,735</u>	<u>652,791</u>	<u>16,172</u>
<i>Income (Loss) Before Operating Transfers</i>	<u>(81,775)</u>	<u>(330,718)</u>	<u>(412,493)</u>	<u>(443,488)</u>
Transfers In	<u>0</u>	<u>132,000</u>	<u>132,000</u>	<u>0</u>
<i>Change in Net Assets</i>	<u>(81,775)</u>	<u>(198,718)</u>	<u>(280,493)</u>	<u>(443,488)</u>
<i>Net Assets (Deficit) Beginning of Year, as Restated (See Note 3)</i>	<u>2,359,513</u>	<u>168,728</u>	<u>2,528,241</u>	<u>1,242,514</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 2,277,738</u>	<u>\$ (29,990)</u>	<u>\$ 2,247,748</u>	<u>\$ 799,026</u>

See accompanying notes to the basic financial statements.

**Wooster City School District**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Fiscal Year Ended June 30, 2004

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Recreation Center	NonMajor	Total	
<b>Cash Flows From Operating Activities:</b>				
Cash Received from Customers	\$ 159,435	\$ 1,977,611	\$ 2,137,046	\$ 4,936,765
Other Cash Receipts	0	136,342	136,342	0
Cash Paid for Goods and Services	(112,191)	(2,431,552)	(2,543,743)	(363,590)
Cash Paid to Employees	(66,794)	(674,409)	(741,203)	0
Cash Paid for Claims	0	0	0	(4,923,081)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(19,550)</u>	<u>(992,008)</u>	<u>(1,011,558)</u>	<u>(349,906)</u>
<b>Cash Flows From Non-Capital Financing Activities:</b>				
Transfers from Other Funds	0	132,000	132,000	0
Advances from Other Funds	0	293,000	293,000	0
Operating Grants Received	83	765,610	765,693	0
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>83</u>	<u>1,190,610</u>	<u>1,190,693</u>	<u>0</u>
<b>Cash Flows From Investing Activities:</b>				
Interest on Investments	2,056	3,021	5,077	16,172
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>2,056</u>	<u>3,021</u>	<u>5,077</u>	<u>16,172</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(17,411)	201,623	184,212	(333,734)
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>253,290</u>	<u>146,356</u>	<u>399,646</u>	<u>1,701,014</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 235,879</u>	<u>\$ 347,979</u>	<u>\$ 583,858</u>	<u>\$ 1,367,280</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:</b>				
Operating Loss	\$ (83,831)	\$ (981,453)	\$ (1,065,284)	\$ (459,660)
Adjustments:				
Depreciation	66,191	20,881	87,072	0
Federal Donated Commodities	0	33,053	33,053	0
(Increase) Decrease Assets				
Accounts Receivable	494	3,759	4,253	(14,561)
Inventory	0	(10,606)	(10,606)	0
Increase (Decrease) in Liabilities				
Accounts Payable	(1,801)	(108,280)	(110,081)	0
Accrued Wages and Benefits	(235)	34,774	34,539	0
Compensated Absences Payable	136	28,980	29,116	0
Due to Other Governments	(504)	(13,116)	(13,620)	0
Claims Payable	0	0	0	124,315
<i>Total Adjustments</i>	<u>64,281</u>	<u>(10,555)</u>	<u>53,726</u>	<u>109,754</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (19,550)</u>	<u>\$ (992,008)</u>	<u>\$ (1,011,558)</u>	<u>\$ (349,906)</u>

See accompanying notes to the basic financial statements.

**Wooster City School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust	
	Scholarship	Agency
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$ 641	\$ 117,720
<b>Liabilities</b>		
Undistributed Monies	\$ 591	\$ 21,682
Due to Students	0	94,674
Accounts Payable	0	1,364
<i>Total Liabilities</i>	591	\$ 117,720
<b>Net Assets</b>		
Held in Trust for Scholarships	50	
<i>Total Net Assets</i>	\$ 50	

See accompanying notes to the basic financial statements.

**Wooster City School District**  
*Statement of Changes in Fiduciary Net Assets*  
*Fiduciary Funds*  
*June 30, 2004*

	Private Purpose Trust
	Scholarship
<b>Additions</b>	
Contributions and Donations	\$ 1,498
<b>Deductions</b>	(1,448)
<i>Change in Net Assets</i>	50
<i>Net Assets Beginning of Year</i>	0
<i>Net Assets End of Year</i>	\$ 50

See accompanying notes to the basic financial statements.



**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 1 - Description of the School District**

The Wooster City School District (the School 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 School District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the School District's thirteen instructional/support facilities staffed by non-certificated personnel, certificated full time teaching personnel and administrative employees to provide services to students and other community members. In 2004, the School District had 352 certificated staff, 31 administrative staff and 247 full and part-time support staff.

*Reporting Entity*

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wooster City School District, this includes general operations, food service, special needs school (Boys Village), and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt or the levying of their taxes. The School District has no component units.

The School District participates in one public entity risk pool and one jointly governed organization. These organizations include the School Boards Association Workers' Compensation Group Rating Program (GRP) and the Tri-County Computer Services Association (TCCSA). These organizations are presented in Notes 10 and 18 to the basic financial statements.

The following entities which perform activities within the School District's boundaries for the benefit of its residents are excluded from accompanying financial statements. All are legally separate. None are fiscally dependent on the School District. The School District is not financially accountable for any of these entities:

City of Wooster

The Wayne County Public Library

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, to its governmental and business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for business-type activities and enterprise funds

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**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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issued after November 30, 1989. The most significant of the School District's accounting policies are described below.

***A. Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities and for the four business-type activities of the School District. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. 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 School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

***B. Fund Accounting***

The School 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 School District's major governmental funds:

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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

**Debt Service Fund** The debt service fund is used to account for the accumulation of property tax revenues for, and the payment of, principal and interest obligations relative to the School District's general obligation bonds.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**Proprietary Fund Type** Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position, and cash flows. The following is the School District's proprietary fund type:

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The School District's major enterprise fund is:

**Community Recreation Fund** This fund accounts for the financial transactions related to the Wooster Community Recreation and Fitness Center.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund accounts for a self-insurance program for employee health insurance benefits.

**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 School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's fiduciary funds are private purpose trust and agency funds. The School District's agency funds account for student activities and the private purpose trusts disburses scholarships to students.

**C. Measurement Focus**

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

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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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.

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources 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 School District finances and meets the cash flow needs of its proprietary fund activities.

***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. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 8) 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

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

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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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 operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

***E. Cash and Cash Equivalents***

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District has segregated a portion of cash balances, reported as "Cash and cash equivalents in segregated accounts" which are used for the construction projects.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2004. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2004 amounted to \$89,253, which includes \$47,080 assigned from other School District funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

***F. Inventory***

Within the basic 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 of the general fund were not significant at year end. Inventories of the food service enterprise fund consist of donated food, purchased food and supplies held for resale.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***G. Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets may include unexpended revenues restricted for the purchase of school buses, and amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital assets. See Note 20 for additional information regarding restricted assets.

***H. Capital Assets***

General capital assets are those assets not specifically related to activities reported in the proprietary funds. 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. 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.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	10 - 40 Years	N/A
Furniture and Fixtures	5 - 20 Years	20 Years
Vehicles	13 Years	N/A
Textbooks	5 Years	N/A

***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 columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***J. Compensated Absences***

GASB Statement No. 16 specifies that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met.

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Other compensated absences with characteristics similar to vacation leave are those which are not contingent on a specific event outside the control of the employer and employee.

Further, sick leave and other similar compensated absences are those which are contingent on a specific event that is outside the control of the employer and employee. The School District has accrued a liability for these compensated absences using the termination method when the following criterion is met.

1. The benefits are earned by the employees and it is probable that the employer will compensate the employees for the benefits through cash payments conditioned on the employees' retirement ("termination payments").

The sick leave liability has been based on the School District's past experience of making termination payments for sick leave.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. 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 proprietary 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 and judgments, compensated absences, special termination benefits, 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 fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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***L. Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists 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 School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

***M. Fund Balance Reserves***

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation, in future periods. Fund balance reserves are established for encumbrances, prepaid items, and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

***N. Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are sales for food service, uniform school supplies and recreation center fees. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

***O. Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction. The proprietary funds received no capital contributions during the current fiscal year.

***P. Interfund Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. 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.



**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

***Q. Extraordinary and Special Items***

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

***R. Prepaid Items***

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***S. Estimates***

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

***T. Budgetary Data***

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. Throughout the fiscal year, the primary level of budgetary control was fund level. Budgetary modifications may only be made by resolution of the Board of Education.

***Tax Budget*** Prior to January 15, the Superintendent and Treasurer submit to the Board 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 express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for rate determination.

***Estimated Resources*** The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the School District by March 1. As part of the certification, the School District receives the official certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget ensuring that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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identified or actual receipts exceed current estimates. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the amended certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2004.

***Appropriations*** A temporary appropriations measure to control expenditures may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation resolution must be passed by October 1 of each year for the period July 1 to June 30. The appropriation resolution fixes spending authority at the legal level of control and may be amended during the year as new information becomes available provided that total fund appropriations do not exceed current estimated resources, as certified. The total of expenditures and encumbrances may not exceed appropriations at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education. The Board may pass supplemental fund appropriations provided the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. The amounts reported as the original budgeted amounts in the budgetary statements reflect the appropriation in the first complete appropriated budget, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

***Encumbrances*** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. On fund financial statements, encumbrances outstanding at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds. A reserve for encumbrances is not reported on government-wide financial statements.

***Lapsing of Appropriations*** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated.

**Note 3 - Change in Accounting Principle and Restatement of Fund Balances/Net Assets**

***Changes in Accounting Principles*** For fiscal year 2004, the School District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules - Perspective Differences", and GASB Interpretation No. 6 "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements." At June 30, 2004, there was no effect on fund balance or net assets as a result of implementing GASB Statements No. 37, No. 38 and No. 41. Previously, the School District reported under the basis of accounting established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting was similar to the cash receipts and cash disbursements basis of accounting.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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GASB 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the School District's programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2003, caused by the conversion to the accrual basis of accounting.

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 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.

***Restatement of Prior Year Fund Balance***

For fiscal year ending June 30, 2004, the School District has implemented GASB Statement No. 34 and Interpretation No. 6. The prior period restatement had the following effects on fund balances previously reported on the cash-basis accounting of the major and nonmajor fund of the School District as they were previously reported. The transition from governmental fund balance to net assets of the governmental activities is also presented:

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

	General	Bond Retirement	Nonmajor	Governmental Activities Total
Fund Cash Balances, June 30, 2003	\$ 4,231,747	\$ 3,413,395	\$ 1,856,893	\$ 9,502,035
Modified Accrual Adjustments	(2,205,134)	109,080	(349,227)	(2,445,281)
Restated Fund Balances, June 30, 2003	\$ 2,026,613	\$ 3,522,475	\$ 1,507,666	7,056,754

GASB 34 Adjustments:

Capital Assets				44,885,539
Internal Service Fund				1,242,514
Compensated Absences				(4,148,878)
Pension Obligations				(337,449)
Long-Term (Deferred) Assets				1,288,822
Long-Term Debt				(27,455,482)

Governmental Activities Net Assets, June 30, 2003				\$ 22,531,820
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	Community Recreation	Nonmajor	Business-Type Activities Total
Fund Cash Balances, June 30, 2003	\$ 253,290	\$ 146,356	\$ 399,646
GASB 34 Adjustments:			
Accrual Adjustments	(16,269)	(17,722)	(33,991)
Capital Assets	2,122,492	40,094	2,162,586
Business-Type Activities			
Net Assets, June 30, 2003	\$ 2,359,513	\$ 168,728	\$ 2,528,241

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
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**Note 4 - Fund Deficits**

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

	<u>Deficit</u> <u>Fund Balance</u>
<i>Governmental Activities:</i>	
General Fund	\$ 113,568
<i>NonMajor Funds:</i>	
Alternative School	123,253
Athletics	8,239
Title VI-B	140,591
 <i>Business-Type Activities:</i>	
Food Service	69,678

The deficits in the nonmajor governmental funds resulted from adjustments for accrued liabilities. The deficit in the food service fund is the result of adjustments for accrued liabilities and the timing of receipts. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**Note 5 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the General Fund.

**Wooster City School District**  
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**Net Change in Fund Balance**

	<u>General</u>
GAAP Basis	\$ (2,131,035)
Net Adjustment for Revenue Accruals	(1,400,190)
Advance In	62,850
Advance Out	(456,500)
Net Adjustment for Expenditure Accruals	523,176
Adjustment for Encumbrances	<u>(264,678)</u>
Budget Basis	<u>\$ (3,666,377)</u>

**Note 6 - Deposits and Investments**

State statutes classify monies held by the School 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 School District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim 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 or deposit accounts including passbook accounts.

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home

**Wooster City School District**  
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Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

**Deposits** At fiscal year-end, the carrying amount of the School District's deposits was \$125,353 and the bank balance was \$490,059. Of the bank balance:

1. \$100,359 of the bank balance was covered by depository insurance; and
  2. \$389,700 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.
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**Wooster City School District**  
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**Investments** GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Value	Fair Value
Coupon Bonds	\$ 1,001,694	\$ 1,001,694	\$ 1,001,694
Discount Notes	990,353	990,353	990,353
STAROhio	0	5,312,343	5,312,343
	\$ 1,992,047	\$ 7,304,390	\$ 7,304,390

**Note 7 - Property Taxes**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 located in the School District. Property tax revenue received during calendar 2004 for real and public utility property taxes represents collections of calendar 2003 taxes. Property tax revenue received during calendar 2004 for tangible personal property (other than public utility property) is for calendar 2004 taxes.

2004 real property taxes are levied after April 1, 2004, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2004 public utility property taxes became a lien December 31, 2003, are levied after April 1, 2004 and are collected in 2005 with real property taxes.

2004 tangible personal property taxes are levied after April 1, 2004, on the value as of December 31, 2003. Collections are made in 2004. Tangible personal property assessments are 25 percent of true value for capital assets and 23% of true value of inventory.



**Wooster City School District**  
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The property valuation consisted of:

Real Property	
Valuation Year - 2003	
Residential/Agricultural	\$ 302,050,250
Commercial/Industrial	40,658,720
Tangible Personal Property	
Valuation Year - 2004	
General	16,215,968
Public Utilities	<u>7,451,210</u>
Total Valuation	<u><u>\$ 366,376,148</u></u>

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers' are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, 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 School District prior to June 30.

The School District receives property taxes from Wayne County. The County Auditor periodically advance to the School District their 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 the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became 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 delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2004, was \$3,000,000 and is recognized as revenue. \$2,694,000 was available to the general fund and \$244,200 was available to the bond retirement debt service, and \$61,800 was available to other governmental funds.

**Note 8 - Receivables**

Receivables at June 30, 2004, consisted of taxes, accounts (student fees), interfund, and intergovernmental grants. 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 fiscal year guarantee of federal funds.

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**Wooster City School District**  
*Notes to the Basic Financial Statements*  
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Intergovernmental receivables consisted of the following:

<i>Governmental Activities:</i>	
General Fund	\$ 260,529
NonMajor Funds	
Alternative School	17,596
Summer Intervention	16,907
Title VI-B	21,910
Title I	167,875
Title V	45,658
Drug Free	850
Class Size Reduction	56,404
Miscellaneous Federal Grants	31,271
Federal Repair Grant	90,881
	<u>709,881</u>
<i>Business-Type Activities:</i>	
Food Service	83,307
Education Costs for Outside Entities	223,941
	<u>307,248</u>
	<u><u>\$ 1,017,129</u></u>

**Wooster City School District**  
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**Note 9 - Capital Assets**

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

	Restated Balance 6/30/03	Additions	Reductions	Balance 6/30/04
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 5,492,097	\$ 0	\$ 0	\$ 5,492,097
Construction in Progress	1,164,991	0	(1,164,991)	0
	<u>6,657,088</u>	<u>0</u>	<u>(1,164,991)</u>	<u>5,492,097</u>
<i>Capital Assets, being depreciated:</i>				
Buildings and Improvements	50,650,141	1,668,708	0	52,318,849
Furniture and Equipment	5,754,640	270,989	(7,325)	6,018,304
Vehicles	1,786,706	53,460	0	1,840,166
Textbooks	205,647	0	0	205,647
Ice Arena	(1) 4,517,809	0	0	4,517,809
Total Capital Assets, being depreciated	<u>62,914,943</u>	<u>1,993,157</u>	<u>(7,325)</u>	<u>64,900,775</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(18,536,063)	(997,463)	0	(19,533,526)
Furniture and Equipment	(4,674,512)	(333,671)	7,325	(5,000,858)
Vehicles	(1,195,028)	(91,575)	0	(1,286,603)
Textbooks	(100,177)	0	0	(100,177)
Ice Arena	(1) (180,712)	(90,356)	0	(271,068)
Total Accumulated Depreciation	<u>(24,686,492)</u>	<u>(1,513,065)</u>	<u>7,325</u>	<u>(26,192,232)</u>
Total Capital Assets being depreciated, net	<u>38,228,451</u>	<u>480,092</u>	<u>0</u>	<u>38,708,543</u>
Governmental Activities Capital Assets, Net	<u>\$ 44,885,539</u>	<u>\$ 480,092</u>	<u>\$ (1,164,991)</u>	<u>\$ 44,200,640</u>
<b>Business-Type Activities</b>				
<i>Capital Assets, being depreciated:</i>				
Buildings	2,535,383	0	0	2,535,383
Furniture and Equipment	577,866	0	0	577,866
Total Capital Assets, being depreciated	<u>3,113,249</u>	<u>0</u>	<u>0</u>	<u>3,113,249</u>
Less Accumulated Depreciation:				
Buildings	(439,468)	(50,708)	0	(490,176)
Furniture and Equipment	(511,195)	(36,364)	0	(547,559)
Total Accumulated Depreciation	<u>(950,663)</u>	<u>(87,072)</u>	<u>0</u>	<u>(1,037,735)</u>
Total Capital Assets being depreciated, net	<u>2,162,586</u>	<u>(87,072)</u>	<u>0</u>	<u>2,075,514</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,162,586</u>	<u>\$ (87,072)</u>	<u>\$ 0</u>	<u>\$ 2,075,514</u>

**Wooster City School District**  
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Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 1,172,274
Special	6,116
Vocational	12,446
Support Services:	
Pupil	20,574
Instructional Staff	12,321
Administration	4,795
Fiscal	6,521
Business	1,069
Operation and Maintenance of Plant	29,779
Pupil Transportation	82,402
Central	2,186
Operation of Non-Instructional Services	24,679
Extracurricular Activities	47,547
Depreciation Expense Not Included in in Other Functions	(1) <u>90,356</u>
Total Governmental Activities	<u>\$ 1,513,065</u>
 <i>Business-Type Activities:</i>	
Food Service	\$ 20,882
Community Recreation	<u>66,190</u>
Total Business-Type Activities	<u>\$ 87,072</u>

(1) The ice arena was donated to the School District and is operated by the Donald and Alice Noble Foundation, Inc. The School District does not collect any fees or pay any expenses to operate the facility.

**Note 10 - Risk Management**

***A. Property and Liability***

The School 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. The District insures its buildings and their contents through insurance having a \$5,000 deductible and providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

Appropriate liability insurance is maintained in the amount of \$2,000,000 for each occurrence and \$4,000,000 aggregate. The District also maintains an umbrella policy of \$1,000,000. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Bond is maintained on all employees handling or responsible for money in the amount of \$25,000. A bond of \$50,000 is maintained on the Treasurer. Bonds are also provided for the School Board President, Superintendent, and business manager in the amount of \$20,000 each.

**Wooster City School District**  
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By state statute, Bond is provided by all contractors in amounts sufficient to cover the entire bid amount awarded to the contractor.

***B. Workers' Compensation***

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (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. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. 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 workers' 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 pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the 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.

***C. Health Insurance***

The District is self-insured for its medical insurance, dental insurance, and prescription drug program. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2004, a total expense of \$5,410,986 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of 75,000. The liability for unpaid claims cost of \$582,815 reported in the fund at June 30, 2004 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Changes in the fund's claims liability amount in 2003 and 2004 were:

		<u>Balance</u>	<u>Current Year</u>	<u>Claim</u>	<u>Balance at</u>
		<u>Beginning of Year</u>	<u>Claims</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$	276,357	4,306,619	4,124,476	\$ 458,500
2004	\$	458,500	5,047,396	4,923,081	\$ 582,815

**Wooster City School District**  
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**Note 11 - Compensated Absences**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Classified employees earn up to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees as earned. Accumulated, unused vacation time is paid to classified employees upon termination or retirement. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. A percentage of unused sick time is paid upon retirement at 25% of the maximum number of days accumulated not to exceed 252 days for certificated staff and classified staff.

**Note 12 - Defined Benefit Pension Plans**

***A. School Employees Retirement System***

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

Plan members are required to contribute 10% of their annual covered salaries and the School District is required to contribute at an actuarially determined rate which is currently 14% of annual covered payroll. A portion of the School 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. 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 School District's required contributions to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$814,728, \$753,528 and \$698,772 respectively; 50% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. \$411,472 represents the unpaid contribution for fiscal year 2004, and is recorded as a liability.

***B. State Teachers Retirement System***

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. 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

**Wooster City School District**  
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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. The DB portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations 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 employer contributions.

The School District's required contributions to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$2,780,362, \$2,692,068, and \$2,607,372 respectively; 83% has been contributed for fiscal year 2004 and 100% for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$20,324 made by the School District and \$37,174 made by the plan members.

***C. Social Security System***

Members of the Board of Education have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2004, four members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

**Note 13 - Postemployment Benefits**

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of

**Wooster City School District**  
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covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$202,051 during the 2004 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, the health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. 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 qualify.

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2004, 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 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. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$385,584.

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 for the fiscal year ended June 30, 2004, were \$223,443,805 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. SERS had approximately 62,000 participants currently receiving health care benefits.



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**Note 14 - Long - Term Obligations**

The changes in the School District's long-term obligations during the year consist of the following:

	(Restated) Outstanding 6/30/2003	Additions	Reductions	Outstanding 6/30/2004	Amounts Due in One Year
<b>Governmental Activities:</b>					
General Obligation Bonds:					
1993 Improvement 4.3% - 8.4%	\$ 4,553,367	\$ 0	\$ 476,619	\$ 4,076,748	\$ 469,415
1997 Bond Refunding 3.8% - 4.6%	16,445,000	0	560,000	15,885,000	585,000
1997 Capital Appreciation Bonds	3,664,831	0	0	3,664,831	0
Accretion on Capital Appreciation Bonds	2,082,603	489,990	0	2,572,593	0
<b>Total General Obligation Bonds</b>	<b>26,745,801</b>	<b>489,990</b>	<b>1,036,619</b>	<b>26,199,172</b>	<b>1,054,415</b>
 Energy Conservation Bond					
Interest rate 4.6%, due 6/1/05	709,681	0	129,326	580,355	135,344
 Compensated Absences	 4,093,120	 833,768	 155,510	 4,771,378	 180,950
 Total Governmental Activities Long-Term Liabilities	 <u>\$ 31,548,602</u>	 <u>\$ 1,323,758</u>	 <u>\$ 1,321,455</u>	 <u>\$ 31,550,905</u>	 <u>\$ 1,370,709</u>
 <b>Business-Type Activities:</b>					
Compensated Absences	<u>\$ 150,251</u>	<u>\$ 79,614</u>	<u>\$ 50,498</u>	<u>\$ 179,367</u>	<u>\$ 1,147</u>

In 1993, the School District issued \$32,000,000 in general obligation bonds for renovation and construction of school facilities. The bonds mature in December 2018.

In 1997, the School District issued \$24,994,832 in refunded general obligation bonds. These include current interest bonds which mature December 2017, and capital appreciation bonds which mature December 2013.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ended June 30, 2004

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2004 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2005	\$ 1,054,415	\$ 1,686,167	\$ 0	\$ 0	\$ 1,054,415	\$ 1,686,167
2006	1,066,537	1,729,455	0	0	1,066,537	1,729,455
2007	1,080,796	1,753,471	0	0	1,080,796	1,753,471
2008	2,005,000	832,578	0	0	2,005,000	832,578
2009	2,205,000	726,527	0	0	2,205,000	726,527
2010 - 2014	1,030,000	3,203,183	3,664,831	7,820,169	4,694,831	11,023,352
2015 - 2019	11,520,000	1,303,434	0	0	11,520,000	1,303,434
Totals	<u>\$ 19,961,748</u>	<u>\$ 11,234,815</u>	<u>\$ 3,664,831</u>	<u>\$ 7,820,169</u>	<u>\$ 23,626,579</u>	<u>\$19,054,984</u>

Fiscal Year Ending June 30,	Energy Conservation Bonds	
	Principal	Interest
2005	\$ 135,344	\$ 25,140
2006	141,642	18,841
2007	148,234	12,250
2008	155,135	5,352
Totals	<u>\$ 580,355</u>	<u>\$ 61,583</u>

**Note 15 - Unearned/Deferred Revenue**

Unearned/deferred revenue at June 30, 2004 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 23,875,605	\$ 25,052,704
Grants Receivable	0	267,626
Unearned/Deferred Revenue	<u>\$ 23,875,605</u>	<u>\$ 25,320,330</u>

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 16 - Interfund Transfers**

Transfers for the year ended June 30, 2004 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 307,800
Debt Service Fund	160,500	0
Nonmajor Governmental Funds	17,945	2,645
Nonmajor Enterprise Funds:		
Food Service Enterprise Fund	132,000	0
	\$ 310,445	\$ 310,445

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 17 - Interfund Balances**

Interfund balances at June 30, 2004 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 455,000	\$ 0
Nonmajor Governmental Funds	0	162,000
Nonmajor Enterprise Funds:		
Food Service Enterprise Fund	0	72,000
Education Costs to Outside Entities	0	221,000
	\$ 455,000	\$ 455,000

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2004, all interfund payables outstanding are anticipated to be repaid by fiscal year 2005.

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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**Note 18 - Jointly Governed Organization**

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland-Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio, 44691. During the year ended June 30, 2004 the School District paid approximately \$172,716 for basic service charges.

**Note 19 - Contingencies**

The School District received financial assistance from federal and state 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

**Note 20 - Set-Asides**

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2004, the reserve activity (cash basis) was as follows:

**Wooster City School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2004*

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	Instructional Materials Reserve	Capital Improvement Reserve	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Set-Aside Cash Balance as of June 30, 2003	\$ 0	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2003	(203,224)	0	(203,224)
Current Year Set-Aside Requirement	572,286	572,286	1,144,572
Qualifying Disbursements	<u>(917,491)</u>	<u>(877,810)</u>	<u>(1,795,301)</u>
Total	<u>\$ (548,429)</u>	<u>\$ (305,524)</u>	<u>\$ (853,953)</u>
Balance Carried Forward to FY 2005	<u>\$ (548,429)</u>	<u>\$ 0</u>	<u>\$ (548,429)</u>
Amount to Restrict for Set-Asides			<u>\$ 0</u>
Total Restricted Assets			<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Negatives are therefore not presented as being carried forward to the next fiscal year for the other set-aside.

**Note 21 - 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 School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.



# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

The Board of Education  
Wooster City School District  
Wooster, Ohio 44691

**INDEPENDENT AUDITOR'S 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***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregated remaining fund information of Wooster City School District as of and for the year ended June 30, 2004, which collectively comprise the School Districts basic financial statements, and have issued our report thereon dated November 10, 2005, which included an explanatory paragraph regarding the accounting change to GASB Statement No. 34. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Wooster City School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements 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 weakness. However, we noted certain matters that we have reported to management of Wooster City School District in a separate letter dated November 10, 2005.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Wooster City School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Wooster City School District in a separate letter dated November 10, 2005.

Independent Auditor's Report  
On Internal Control

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

*Hea & Associates, Inc.*

# Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

November 10, 2005

The Board of Education  
Wooster City School District  
Wooster, Ohio 44691

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

### **Compliance**

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

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

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

### **Internal Control Over Compliance**

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



Wooster City School District  
Report on Compliance

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

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

*Kea & Associates, Inc.*

**WOOSTER CITY SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NON-GAAP BUDGETARY BASIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements	Non-Cash Disbursements
<b>U. S. Department of Education</b> (Passed Through State Department of Education):					
Title I	84.010	C1-S1-04	\$ 650,048	\$ 626,904	\$ 0
Title I-D	85.010	C1-SD-04	15,415	19,664	0
Title I	84.010	C1-S1-03	47,165	67,350	0
Title I-D	84.010	C1-SD-03	42,821	51,741	0
<i>Total Title I</i>			<u>755,449</u>	<u>765,659</u>	<u>0</u>
IDEA-B	84.027	6B-SF-04	622,747	619,647	0
Access Grant "Close the Gap"	84.027	6B-SD-04P	14,608	10,949	0
IDEA-B	84.027	6B-SF-03P	(8) (C)	8,116	0
Access Grant "Close the Gap"	84.027	6B-SD-03P	23,884	35,241	0
<i>Total Title VI-B, IDEA-B and Close the Gap</i>			<u>661,231</u>	<u>673,953</u>	<u>0</u>
Safe & Drug Free Community Service Grant	84.184C	T4-S1-04	9,466	9,466	0
Safe & Drug Free Community Service Grant	84.184C	T4-S1-04P	11,093	11,093	0
Safe & Drug Free Community Service Grant	84.184C	T4-S1-03	3,693	0	0
<i>Total Safe &amp; Drug Free Comm Serv Grant</i>			<u>24,252</u>	<u>20,559</u>	<u>0</u>
Drug Free Schools	84.186	DR-S1-04	19,387 (D)	20,236	0
Drug Free Schools	84.186	DR-S1-03	(10) (D)	0	0
<i>Total Drug Free Schools</i>			<u>19,377</u>	<u>20,236</u>	<u>0</u>
Title V - Innovative Programs	84.298	C2-S1-04	87,022 (D)(E)	68,878	0
Title V - Innovative Programs	84.298	C2-S1-03	(952) (D)	31,452	0
<i>Total Title V and VI</i>			<u>86,070</u>	<u>100,330</u>	<u>0</u>
Title II-D	84.318	TJ-S1-04	21,992 (E)	16,774	0
Title II-D	84.318	TJ-S1-03	0	0	0
<i>Total II-D</i>			<u>21,992</u>	<u>16,774</u>	<u>0</u>
Carol White PEP Grant	84.215		109,096	109,096	0
<i>Total Carol White PEP Grant</i>			<u>109,096</u>	<u>109,096</u>	<u>0</u>
Assistive Technology Infusion Project - Rd 4	84.352A	AT-S4-02	2,289	2,289	0
Federal Emergency Repair Program	84.352A	45120	182,314	261,658	0
Assistive Technology Infusion Project - Rd 3	84.352A	AT-S3-02	(8) (C)	0	0
<i>Total School Renovation, and Tech</i>			<u>184,595</u>	<u>263,947</u>	<u>0</u>
Title II-A	84.367	TR-S1-04	118,161 (D)(E)	24,837	0
Title II-A	84.367	TR-S1-03	(11,242)	56,585	0
<i>Total Title II-A</i>			<u>106,919</u>	<u>81,422</u>	<u>0</u>
<b>Total U.S. Department of Education</b>			<u>1,968,981</u>	<u>2,051,976</u>	<u>0</u>
<b>U. S. Department of Health &amp; Human Services</b> (Passed Through State Department of MRDD):					
Medical Assistance Program/CAFS	93.778		97,220	97,220	0
State Children's Insurance Program	93.767		16,354	16,354	0
<b>U. S. Department of Interior</b> (Passed Through National Park Service):					
Save America's Treasures Grant	15.AAI	39-02-ML-1242	54,413	85,120	0
<b>U. S. Department of Agriculture</b> (Passed Through State Department of Education):					
Nutrition Cluster:					
Food Distribution Program (A) (B)	10.550		85,084	0	85,084
School Breakfast Program	10.553		73,547	73,547	0
National School Lunch Program	10.555		407,869	407,869	0
Special Milk Program for Children	10.556		2,899	2,899	0
<b>*Total U.S. Department of Agriculture: Nutrition Cluster</b>			<u>569,399</u>	<u>484,315</u>	<u>85,084</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 2,706,367</u>	<u>\$ 2,734,985</u>	<u>\$ 85,084</u>

- (A) Represents difference between market value less cost to District.  
(B) Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.  
(C) Includes a return of receipt to the state  
(D) Prior year funds have been roll-forward to the current year special cost center.  
(E) Receipts represent a reallocation of federal funds by the District from Title II-A to Title II-D and Title V.

**WOOSTER CITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 , Section .505  
JUNE 30, 2004**

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

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

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

None Noted

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

None noted.





**Auditor of State  
Betty Montgomery**

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P.O. Box 1140  
Columbus, Ohio 43216-1140

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800-282-0370

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**WOOSTER CITY SCHOOL DISTRICT**

**WAYNE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 17, 2006**