

***WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO***

AUDIT REPORT

For the Year Ended June 30, 2006

Charles E. Harris & Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Report of Independent Accountants* of the Wooster City School District, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 29, 2007

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WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2006

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1-2
Management's Discussion and Analysis	3-12
Statement of Net Assets	13
Statement of Activities	14-15
Balance Sheet – Governmental Funds	16-17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	18-19
Reconciliation of the Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget Non-GAAP Basis) and Actual – General Fund	20-21
Statement of Net Assets – Proprietary Funds	22
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Fund	23
Statement of Cash Flows – Proprietary Funds	24
Statement of Fiduciary Net Assets – Fiduciary Fund	25
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	26
Notes to the Basic Financial Statements	27-52
Schedule of Federal Awards Expenditures	53
Notes to the Schedule of Federal Awards Expenditures	54
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Required by <i>Government Auditing Standards</i>	55
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	56-57
Schedule of Findings and Questioned Costs	58-59
Schedule of Prior Audit Findings	60

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REPORT OF INDEPENDENT ACCOUNTANTS

Wooster City School District
Wayne County
144 North Market Street
Wooster, Ohio 44691

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wooster City School District, Wayne County, Ohio, (the School District), as of and for the year ended June 30, 2006, 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 School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Wooster City School District, Wayne County, Ohio, as of June 30, 2006, and the respective changes in financial position and cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2007 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 federal awards expenditures is presented for the purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. 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.

Charles E. Harris & Associates, Inc.

January 5, 2007

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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, 2006. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the 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 2006 are as follows:

- ❑ General Revenues accounted for \$40.3 million in revenue or 84.7% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$7.2 million or 15.3% of total revenues of \$47.5 million.
- ❑ Total program expenses were \$43.1 million, \$39.4 million in Governmental Activities, and \$3.7 million in Business Type Activities.
- ❑ In total, net assets increased \$4.4 million. Net assets of governmental activities increased \$5.0 million, which represents a 23.8% increase from 2005. Net assets of business-type activities decreased \$.6 million or 15.9% from 2005.
- ❑ Outstanding debt decreased from \$26.1 million to \$25.5 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 2006?" 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

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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, recreation center and costs for outside entities 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 9. 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.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 the debt service 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 costs for outside services. 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 and health 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.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 1 provides a summary of the School District's net assets for 2006 compared to 2005:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets						
Current and Other Assets	\$ 48,344,946	\$ 41,171,744	\$ 1,970,333	\$ 2,490,278	\$ 50,315,279	\$ 43,662,022
Capital Assets	41,763,151	42,762,115	1,959,435	2,011,168	43,722,586	44,773,283
Total Assets	90,108,097	83,933,859	3,929,768	4,501,446	94,037,865	88,435,305
Liabilities						
Long-Term Liabilities	29,818,571	30,996,107	279,753	234,636	30,098,324	31,230,743
Other Liabilities	34,381,333	32,011,029	323,289	310,894	34,704,622	32,321,923
Total Liabilities	64,199,904	63,007,136	603,042	545,530	64,802,946	63,552,666
Net Assets						
Invested in Capital Assets Net of Debt	20,307,524	17,085,593	1,959,435	2,011,168	22,266,959	19,096,761
Restricted	4,497,105	4,516,417	1,294,968	1,890,823	5,792,073	6,407,240
Unrestricted (Deficit)	1,103,564	(675,287)	72,323	53,925	1,175,887	(621,362)
Total Net Assets	\$ 25,908,193	\$ 20,926,723	\$ 3,326,726	\$ 3,955,916	\$ 29,234,919	\$ 24,882,639

Total assets increased by \$5.6 million comprised by a \$6.2 million increase in the governmental activities and a \$.6 million decrease in the business-type activities. A decrease of approximately \$1.1 million in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by approximately \$1.3 with governmental liabilities comprising most of that amount. The majority of this amount is an increase in deferred taxes revenue.

The net assets of the School District governmental activities increased approximately \$5.0 million or 23.8%. This increase can be attributed to an increase in deferred property tax revenue and a decrease in wages and pension benefits.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Table 2 shows the changes in net assets for fiscal year 2006 and 2005.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 636,877	\$ 1,554,496	\$ 2,023,552	\$ 4,264,592	\$ 2,660,429	\$ 5,819,088
Operating Grants	3,586,303	3,917,769	993,260	933,318	4,579,563	4,851,087
<i>General Revenue:</i>						
Property Taxes	30,208,583	28,081,941	0	0	30,208,583	28,081,941
Grants and Entitlements not Restricted to Specific Programs	9,401,431	9,510,279	0	1,000	9,401,431	9,511,279
Other Revenue	589,012	279,771	44,645	99,293	633,657	379,064
Total Revenues	44,422,206	43,344,256	3,061,457	5,298,203	47,483,663	48,642,459
Program Expenses						
Instruction	21,506,185	23,946,784	0	0	21,506,185	23,946,784
Support Services	14,158,693	13,763,408	0	0	14,158,693	13,763,408
Operation of Non-Instructional	574,164	631,171	0	0	574,164	631,171
Extracurricular Activities	562,736	601,646	0	0	562,736	601,646
Interest and Fiscal Charges	2,638,958	2,457,028	0	0	2,638,958	2,457,028
Enterprise Funds	0	0	3,690,647	3,590,035	3,690,647	3,590,035
Total Expenses	39,440,736	41,400,037	3,690,647	3,590,035	43,131,383	44,990,072
Increase (Decrease) in Net Assets before Transfers	4,981,470	1,944,219	(629,190)	1,708,168	4,352,280	3,652,387
Increase (Decrease) in Net Assets	\$ 4,981,470	\$ 1,944,219	\$ (629,190)	\$ 1,708,168	\$ 4,352,280	\$ 3,652,387

Overall revenue decreased \$1.2 million over fiscal year 2005. Program expenses decreased from \$45.0 million to \$43.1 million. The majority of the decrease is attributable to instructional expenses.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 activities had total revenues of \$44.4 million and expenses of \$39.4 million.

(Table 3)
Governmental Activities

	2006		2005	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 21,506,185	\$ 18,691,644	\$ 23,946,784	\$ 20,032,633
Support Services:				
Pupil and Instructional Staff	3,798,014	3,336,810	3,624,547	3,243,867
Board of Education, Administration, Fiscal and Business	3,872,355	3,671,478	3,796,428	3,561,890
Operation and Maintenance of Plant and Central Pupil Transportation	4,855,478	4,830,296	4,741,248	4,649,475
Operation of Non-Instructional	1,723,202	1,573,992	1,691,541	1,433,224
Extracurricular Activities	483,808	195,240	540,815	257,474
Interest and Fiscal Charges	562,736	279,138	601,646	292,181
	<u>2,638,958</u>	<u>2,638,958</u>	<u>2,457,028</u>	<u>2,457,028</u>
Total Expenses	<u>\$ 39,440,736</u>	<u>\$ 35,217,556</u>	<u>\$ 41,400,037</u>	<u>\$ 35,927,772</u>

Instruction and Student Support Services comprise 64.2% of governmental program expenses. Interest/Fiscal charges were 6.7%. 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 15.8% 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 education costs for outside entities. These programs had revenues of \$3.0 million and expenses of \$3.7 million for fiscal year 2006. Business activities receive no support from tax revenues.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 \$9.0 million, which is \$3.2 million over last year's balance of \$5.8 million. The most significant change within the School District's major funds was reported in the General fund with an increase in fund balance of \$3.8 million.

Major Funds

The general fund is the main operating fund of the School District. At the end of fiscal year 2006, the fund balance in the general fund was \$5.1 million which is an increase of \$3.8 million from fiscal year 2005, which is primarily due to an increase in tax revenue and an overall decrease in expenditures.

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of fiscal year 2006, the fund balance in the debt service fund was \$2.5 million, which is a decrease of \$.2 million from fiscal year 2005.

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 2006, 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 difference of \$2.0 million between the final budget basis revenue of \$38.7 million, and the original budget estimates of \$36.7 which is made up of larger receipts in intergovernmental revenue than expected.

There was no change from original appropriations to final appropriations.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$43.7 million invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, textbooks and an ice arena. A total of \$41.8 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2006 balances compared with 2005.

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

	Governmental Activities		Business-Type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ 2,609,634	\$ 2,609,634	\$ 0	\$ 0	\$ 2,609,634	\$ 2,609,634
Land Improvements	7,255	15,459	0	0	7,255	15,459
Buildings and Improvements	33,448,400	34,320,241	1,943,791	1,994,499	35,392,191	36,314,740
Furniture and Equipment	1,084,049	1,164,869	15,644	16,669	1,099,693	1,181,538
Vehicles	547,784	495,527	0	0	547,784	495,527
Textbooks	0	0	0	0	0	0
Ice Arena	4,066,029	4,156,385	0	0	4,066,029	4,156,385
Totals	\$ 41,763,151	\$ 42,762,115	\$ 1,959,435	\$ 2,011,168	\$ 43,722,586	\$ 44,773,283

The \$1.0 million decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Additional details of the capital assets can be found in Note 8 to the basic financial statements.

Debt

At June 30, 2006, the School District had \$25.5 million in bonds outstanding with \$1.3 million due within one year. During fiscal year 2006, \$1.3 million of general obligation bonds were retired and \$.6 million of accretion was added to the capital appreciation bonds. Table 5 summarizes bonds outstanding.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2006	2005
General Obligation Bonds:		
1993 Improvement Bonds	\$ 290,796	\$ 597,333
2004 Bond Refunding	2,575,002	275,002
2004 Capital Appreciation Bonds	234,998	235,998
Accretion on Capital Appreciation Bonds (2004)	33,839	0
1997 Bond Refunding	14,690,000	15,300,000
1997 Capital Appreciation Bonds	3,664,831	3,664,831
Accretion on Capital Appreciation Bonds (1997)	3,681,459	3,104,358
Energy Conservation Bond	303,367	445,010
Totals	<u>\$ 25,474,292</u>	<u>\$ 23,622,532</u>

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

In 1997, the School District issued \$25 million in refunded general obligation bonds. These include current interest bonds which mature December 2017, and capital appreciation bonds which mature December 2013.

In 2004, the School District issued \$3,010,000 in refunded general obligation bonds. These include current interest bonds which mature in December 2018 and capital appreciation bonds which mature in December 2012.

More information about the long-term obligations is in Note 13 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. During the 2004-2005 fiscal year, the District implemented a reduction in expenditures by 3.5 million dollars which included the closure of an elementary building and the reduction of approximately 90 staff members. The Board of Education anticipates that proceeds from this levy will sustain the District through fiscal year 2009. Additional reductions in expenditures and/or additional revenue will need to be considered in anticipation of a deficit in 2010.

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

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2006
Unaudited

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 District's dependency 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 68% of revenues for governmental activities for the Wooster City Schools in fiscal year 2006.

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.

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.

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 the Treasurer/CFO of Wooster City School District, 144 N. Market Street, Wooster, Ohio, 44691.

Wooster City School District
Statement of Net Assets
June 30, 2006

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 14,227,019	\$ 822,609	\$ 15,049,628
Receivables:			
Taxes	32,970,644	0	32,970,644
Accounts	624,995	1,132,421	1,757,416
Internal Balances	68,950	(68,950)	0
Intergovernmental	432,525	22,199	454,724
Prepaid Items	20,813	0	20,813
Inventory Held For Resale	0	62,054	62,054
Nondepreciable Capital Assets	2,609,634	0	2,609,634
Depreciable Capital Assets (Net)	39,153,517	1,959,435	41,112,952
<i>Total Assets</i>	<u>90,108,097</u>	<u>3,929,768</u>	<u>94,037,865</u>
Liabilities			
Accounts Payable	180,862	61	180,923
Accrued Wages and Benefits	2,975,860	259,116	3,234,976
Intergovernmental Payable	832,427	64,112	896,539
Unearned Revenue	29,418,985	0	29,418,985
Accrued Interest Payable	527,863	0	527,863
Claims Payable	445,336	0	445,336
Long Term Liabilities:			
Due Within One Year	1,715,575	21,928	1,737,503
Due in More Than One Year	28,102,996	257,825	28,360,821
<i>Total Liabilities</i>	<u>64,199,904</u>	<u>603,042</u>	<u>64,802,946</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,307,524	1,959,435	22,266,959
Restricted for:			
Capital Projects	1,121,279	0	1,121,279
Debt Service	2,758,969	0	2,758,969
Other Purposes	432,924	1,294,968	1,727,892
Set Asides	183,933	0	183,933
Unrestricted	1,103,564	72,323	1,175,887
<i>Total Net Assets</i>	<u>\$ 25,908,193</u>	<u>\$ 3,326,726</u>	<u>\$ 29,234,919</u>

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2006

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$ 16,208,793	\$ 263,255	\$ 478,037
Special	3,743,090	2,878	1,931,384
Vocational	275,346	470	0
Other	1,278,956	0	138,517
Support services:			
Pupils	1,761,044	8,038	101,417
Instructional Staff	2,036,970	129	351,620
Board of Education	222,272	0	0
Administration	2,581,273	3,086	80,337
Fiscal	848,159	67,559	49,895
Business	220,651	0	0
Operation and Maintenance of Plant	4,486,311	2,390	9,841
Pupil Transportation	1,723,202	2,409	146,801
Central	278,811	0	12,951
Operation of Non-Instructional Services	483,808	3,111	285,457
Extracurricular Activities	562,736	283,552	46
Depreciation Expense not Included in Other Functions (See Note 8)	90,356	0	0
Interest and Fiscal Charges	2,638,958	0	0
<i>Total Governmental Activities</i>	<u>39,440,736</u>	<u>636,877</u>	<u>3,586,303</u>
Business-Type Activities			
Food Service	1,437,584	675,844	760,113
Uniform School Supplies	5,117	6,460	0
Education Costs for Outside Entities	2,042,574	1,158,923	233,147
Recreation Center	205,372	182,325	0
<i>Total Business-Type Activities</i>	<u>3,690,647</u>	<u>2,023,552</u>	<u>993,260</u>
<i>Totals</i>	<u>\$ 43,131,383</u>	<u>\$ 2,660,429</u>	<u>\$ 4,579,563</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

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
\$ (15,467,501)	\$ 0	\$ (15,467,501)
(1,808,828)	0	(1,808,828)
(274,876)	0	(274,876)
(1,140,439)	0	(1,140,439)
(1,651,589)	0	(1,651,589)
(1,685,221)	0	(1,685,221)
(222,272)	0	(222,272)
(2,497,850)	0	(2,497,850)
(730,705)	0	(730,705)
(220,651)	0	(220,651)
(4,474,080)	0	(4,474,080)
(1,573,992)	0	(1,573,992)
(265,860)	0	(265,860)
(195,240)	0	(195,240)
(279,138)	0	(279,138)
(90,356)	0	(90,356)
(2,638,958)	0	(2,638,958)
(35,217,556)	0	(35,217,556)
0	(1,627)	(1,627)
0	1,343	1,343
0	(650,504)	(650,504)
0	(23,047)	(23,047)
0	(673,835)	(673,835)
(35,217,556)	(673,835)	(35,891,391)
27,349,039	0	27,349,039
2,326,632	0	2,326,632
532,912	0	532,912
9,401,431	0	9,401,431
556,658	35,682	592,340
32,354	8,963	41,317
40,199,026	44,645	40,243,671
4,981,470	(629,190)	4,352,280
20,926,723	3,955,916	24,882,639
\$ 25,908,193	\$ 3,326,726	\$ 29,234,919

Wooster City School District

Balance Sheet

Governmental Funds

June 30, 2006

	General	Debt Service	Other Governmental Funds
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 6,742,071	\$ 2,411,440	\$ 1,940,090
Restricted Cash	183,933	0	0
Receivables:			
Taxes	29,632,470	2,751,890	586,284
Accounts	1,397	0	0
Interfund	552,905	0	0
Intergovernmental	0	0	432,525
Prepaid Items	20,813	0	0
<i>Total Assets</i>	<u>\$ 37,133,589</u>	<u>\$ 5,163,330</u>	<u>\$ 2,958,899</u>
Liabilities and Fund Balances			
Liabilities			
Accounts Payable	\$ 111,696	\$ 0	\$ 69,166
Accrued Wages and Benefits	2,785,983	0	189,877
Interfund Payable	0	0	483,955
Intergovernmental Payable	784,492	0	47,935
Deferred Revenue	28,307,617	2,629,118	818,520
<i>Total Liabilities</i>	31,989,788	2,629,118	1,609,453
Fund Balances			
Fund Balance:			
Reserved for Encumbrances	388,544	0	523,285
Reserved for Tax Revenue Unavailable for Appropriation	1,326,047	122,772	26,181
Reserved for Capital Improvements	183,933	0	0
Unreserved, Undesignated, Reported in:			
General Fund	3,245,277	0	0
Special Revenue Funds	0	0	(167,951)
Debt Service Fund	0	2,411,440	0
Capital Projects Funds	0	0	967,931
<i>Total Fund Balances</i>	<u>5,143,801</u>	<u>2,534,212</u>	<u>1,349,446</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 37,133,589</u>	<u>\$ 5,163,330</u>	<u>\$ 2,958,899</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, 2006*

Total Governmental Funds	Total Governmental Fund Balances	\$ 9,027,459
	<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
\$ 11,093,601 183,933	Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	41,763,151
32,970,644 1,397 552,905 432,525 20,813	Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.	
	Grants	\$ 258,416
	Other Revenue	1,194
	Delinquent Property Taxes	<u>2,700,258</u>
<u>\$ 45,255,818</u>	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.	2,504,149
\$ 180,862 2,975,860 483,955 832,427 31,755,255	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.	
	General Obligation Bonds	(25,474,292)
	Compensated Absences	(4,344,279)
36,228,359	Accrued Interest	<u>(527,863)</u>
	Net Assets of Governmental Activities	<u>\$ 25,908,193</u>
911,829 1,475,000 183,933 3,245,277 (167,951) 2,411,440 967,931		
<u>9,027,459</u>		
<u>\$ 45,255,818</u>		

Wooster City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds
Revenues:			
Taxes	\$ 26,642,270	\$ 2,236,067	\$ 518,998
Intergovernmental	9,797,422	249,239	2,684,666
Investment Income	393,887	108,098	54,673
Tuition and Fees	179,723	0	54,200
Extracurricular Activities	135,776	0	198,425
Rentals	67,559	0	0
Gifts and Donations	0	0	19,050
Miscellaneous	4,677	0	8,627
<i>Total Revenues</i>	<u>37,221,314</u>	<u>2,593,404</u>	<u>3,538,639</u>
Expenditures:			
Current:			
Instruction:			
Regular	15,365,779	0	778,533
Special	2,756,128	0	1,161,923
Vocational	302,453	0	1,491
Other	1,134,974	0	143,982
Support Services:			
Pupils	1,688,299	0	119,980
Instructional Staff	1,699,736	0	352,642
Board of Education	222,272	0	0
Administration	2,565,049	0	101,238
Fiscal	829,482	0	59,160
Business	222,971	0	0
Operation and Maintenance of Plant	4,077,096	0	434,839
Pupil Transportation	1,627,033	0	94,443
Central	251,015	0	30,800
Operation of Non-Instructional Services	152,817	0	327,611
Extracurricular Activities	372,865	0	147,283
Capital outlay	0	0	156,423
Debt Service:			
Principal Retirement	0	1,258,180	0
Interest and Fiscal Charges	0	1,713,596	0
<i>Total Expenditures</i>	<u>33,267,969</u>	<u>2,971,776</u>	<u>3,910,348</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	3,953,345	(378,372)	(371,709)
Other Financing Sources (Uses):			
Proceeds From Sales of Capital Assets	268	0	0
Transfers In	0	160,500	7,630
Transfers Out	(160,500)	0	(7,630)
<i>Total Financing Sources and (Uses)</i>	<u>(160,232)</u>	<u>160,500</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	3,793,113	(217,872)	(371,709)
<i>Fund Balance at Beginning of Year</i>	<u>1,350,688</u>	<u>2,752,084</u>	<u>1,721,155</u>
<i>Fund Balance at End of Year</i>	<u>\$ 5,143,801</u>	<u>\$ 2,534,212</u>	<u>\$ 1,349,446</u>

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, 2006*

Total Governmental Funds	Net Change in Fund Balances - Total Governmental Funds	\$ 3,203,532
	<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
\$ 29,397,335	Governmental funds report capital outlays as expenditures,	
12,731,327	However, in the statement of activities, the cost of those	
556,658	assets is allocated over their estimated useful lives as	
233,923	depreciation expense. This is the amount by which	
334,201	depreciation exceeded capital outlay in the current period.	
67,559	Capital Asset Additions	\$ 162,404
19,050	Current Year Depreciation	<u>(1,160,147)</u>
13,304		(997,743)
43,353,357	Net effect of transactions involving disposal of capital assets are not reflected in the funds.	(1,221)
	Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
16,144,312	Grants	256,406
3,918,051	Other Revenue	1,194
303,944	Delinquent Property Taxes	<u>811,249</u>
1,278,956		1,068,849
1,808,279	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
2,052,378	Bond Principal	1,258,180
222,272		
2,666,287	Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.	
888,642	Bond Accretion	(610,940)
222,971	Accrued Interest	(314,422)
4,511,935	Compensated Absences	<u>530,296</u>
1,721,476		(395,066)
281,815		
480,428	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.	
520,148		<u>844,939</u>
156,423		
1,258,180		
1,713,596		
40,150,093	Change in Net Assets of Governmental Activities	<u>\$ 4,981,470</u>
3,203,264		
268		
168,130		
(168,130)		
268		
3,203,532		
5,823,927		
\$ 9,027,459		

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, 2006

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 29,134,800	\$ 27,516,223	\$ 27,516,223	\$ 0
Intergovernmental	6,534,517	9,840,121	9,840,121	0
Investment Income	259,444	391,543	391,543	0
Tuition and Fees	293,953	354,520	354,520	0
Extracurricular Activities	89,968	135,776	135,776	0
Rentals	0	80,800	80,800	0
Miscellaneous	0	29,839	29,839	0
<i>Total Revenues</i>	<u>36,312,682</u>	<u>38,348,822</u>	<u>38,348,822</u>	<u>0</u>
Expenditures:				
Current				
Instruction	15,989,291	15,989,291	15,841,297	147,994
Regular	2,904,225	2,904,225	2,810,443	93,782
Special	384,355	384,355	351,411	32,944
Adult/Continuing	1,142,382	1,142,382	1,141,913	469
Support Services				
Pupils	1,722,238	1,722,238	1,710,759	11,479
Instructional Staff	1,871,465	1,871,465	1,730,896	140,569
Board of Education	295,815	295,815	280,745	15,070
Administration	2,632,475	2,632,475	2,574,687	57,788
Fiscal	938,573	938,573	888,608	49,965
Business	243,377	243,377	228,500	14,877
Operation and Maintenance of Plant	4,180,552	4,180,552	4,144,108	36,444
Pupil Transportation	1,671,295	1,671,295	1,633,101	38,194
Central	381,304	381,304	327,769	53,535
Operation of Non-Instructional Services	162,000	162,000	147,873	14,127
Extracurricular Activities	540,358	540,358	369,835	170,523
Capital Outlay	2,370	2,370	0	2,370
<i>Total Expenditures</i>	<u>35,062,075</u>	<u>35,062,075</u>	<u>34,181,945</u>	<u>880,130</u>
Excess of Revenues Over (Under) Expenditures	1,250,607	3,286,747	4,166,877	880,130
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	268	268	268	0
Advances In	389,450	389,450	389,450	0
Advances Out	(560,930)	(560,930)	(560,930)	0
Transfers Out	(160,500)	(160,500)	(160,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(331,712)</u>	<u>(331,712)</u>	<u>(331,712)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	918,895	2,955,035	3,835,165	880,130
<i>Fund Balance (Deficit) at Beginning of Year</i>	2,229,671	2,229,671	2,229,671	0
Prior Year Encumbrances Appropriated	387,710	387,710	387,710	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 3,536,276</u>	<u>\$ 5,572,416</u>	<u>\$ 6,452,546</u>	<u>\$ 880,130</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, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ 822,609	\$ 2,949,485
Accounts Receivable	1,132,421	623,598
Intergovernmental Receivable	22,199	0
Inventory Held For Resale	62,054	0
<i>Total Current Assets</i>	2,039,283	3,573,083
Non Current Assets:		
Depreciable Capital Assets (Net)	1,959,435	0
<i>Total Assets</i>	3,998,718	3,573,083
Liabilities		
Current Liabilities:		
Accounts Payable	61	0
Accrued Wages and Benefits	259,116	0
Interfund Payable	68,950	0
Intergovernmental Payable	64,112	0
Deferred Revenue	0	623,598
Claims Payable	0	445,336
<i>Total Current Liabilities</i>	392,239	1,068,934
Long Term Liabilities:		
Compensated Absences	279,753	0
<i>Total Liabilities</i>	671,992	1,068,934
Net Assets		
Invested in Capital Assets, Net of Related Debt	1,959,435	0
Restricted	1,294,968	0
Unrestricted	72,323	2,504,149
<i>Total Net Assets</i>	\$ 3,326,726	\$ 2,504,149

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2006

	Business-Type Activities Enterprise Funds	Governmental Activities - Internal Service Fund
Operating Revenues:		
Tuition	\$ 1,158,923	\$ 0
Sales	182,325	0
Charges for Services	682,304	6,044,500
Other Operating Revenues	8,963	0
<i>Total Operating Revenues</i>	<u>2,032,515</u>	<u>6,044,500</u>
Operating Expenses:		
Salaries	1,759,770	0
Fringe Benefits	875,002	0
Purchased Services	938,130	506,219
Materials and Supplies	61,757	0
Claims	0	4,820,188
Depreciation	55,988	0
<i>Total Operating Expenses</i>	<u>3,690,647</u>	<u>5,326,407</u>
Operating Income (Loss)	<u>(1,658,132)</u>	<u>718,093</u>
Non-Operating Revenues (Expenses):		
Federal Donated Commodities	70,229	0
Operating Grants	923,031	0
Interest	35,682	126,846
<i>Total Non-Operating Revenues (Expenses)</i>	<u>1,028,942</u>	<u>126,846</u>
<i>Change in Net Assets</i>	(629,190)	844,939
<i>Net Assets (Deficit) Beginning of Year</i>	<u>3,955,916</u>	<u>1,659,210</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 3,326,726</u>	<u>\$ 2,504,149</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, 2006

	Business-Type Activities - Enterprise Funds	Governmental Activities - Internal Service Fund
Cash Flows From Operating Activities:		
Cash Received from Customers	\$ 894,085	\$ 6,091,902
Other Cash Receipts	8,963	0
Cash Paid for Goods and Services	(2,827,427)	(553,621)
Cash Paid to Employees	(696,632)	0
Cash Paid for Claims	0	(5,095,770)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>(2,621,011)</u>	<u>442,511</u>
Cash Flows From Non-Capital Financing Activities:		
Advances to Other Funds	(315,000)	0
Advances from Other Funds	68,950	0
Operating Grants	2,889,047	0
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>2,642,997</u>	<u>0</u>
Cash Flows From Investing Activities:		
Interest on Investments	35,682	126,846
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>35,682</u>	<u>126,846</u>
Cash Flows From Capital and Related Financing Activities:		
Payment for Capital Acquisitions	(4,255)	0
<i>Net Cash Provided By (Used For) Capital and Related Financing Activities</i>	<u>(4,255)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	53,413	569,357
<i>Cash and Cash Equivalents at Beginning of Year</i>	<u>769,196</u>	<u>2,380,128</u>
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 822,609</u>	<u>\$ 2,949,485</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:		
Operating Income (Loss)	\$ (1,658,132)	\$ 718,093
Adjustments:		
Depreciation	55,988	0
Federal Donated Commodities	70,229	0
(Increase) Decrease Assets		
Accounts Receivable	(1,129,467)	47,402
Inventory	(17,141)	0
Increase (Decrease) in Liabilities		
Accounts Payable	(144)	0
Accrued Wages and Benefits	9,846	0
Compensated Absences Payable	45,117	0
Due to Other Governments	2,693	0
Deferred Revenue	0	(47,402)
Claims Payable	0	(275,582)
<i>Total Adjustments</i>	<u>(962,879)</u>	<u>(275,582)</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ (2,621,011)</u>	<u>\$ 442,511</u>

Noncash items:
The Food Service Fund received \$70,229 in Federally donated commodities.

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 557	\$ 100,842
Liabilities		
Due to Students	\$ 0	\$ 100,842
<i>Total Liabilities</i>		\$ 100,842
Net Assets		
Held in Trust for Scholarships	557	
<i>Total Net Assets</i>	\$ 557	

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2006

	Private Purpose Trust
	Scholarship
Additions	
Donations	\$ 1,505
Deductions	
Payments in Accordance with Trust Agreements	998
<i>Change in Net Assets</i>	507
<i>Net Assets Beginning of Year</i>	50
<i>Net Assets End of Year</i>	\$ 557

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, 2006

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 2006, the School District had 359 certificated staff, 31 administrative staff and 185 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 9 and 17 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 to its governmental activities provided they do not conflict or contradict GASB pronouncements. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The School District has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. For the year ended June 30, 2006, the School District has implemented GASB Statement No. 42, "*Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*", Statement No. 46, "*Net Assets Restricted by Enabling Legislation*", and Statement No. 47, "*Accounting for Termination Benefits*."

Statement No. 42 establishes accounting and financial standards for impairment of capital assets and clarifies and establishes accounting requirements for insurance recoveries.

Statement No. 46 establishes that any amount of primary government's net assets at the end of the reporting period restricted by enabling legislation should be disclosed in the notes to the financial statements.

Statement No. 47 provides guidance to governmental employers for measuring, recognizing, and reporting liabilities and expenses/expenditures related to *all* termination benefits without limitation as to the period of time during which the benefits are offered.

There was no effect on fund balances as a result of the implementation of the new Standards. The following are the most significant of the School District's accounting policies.

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.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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:

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 types:

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.

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 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.

Non-exchange 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 6) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 non-exchange 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/Unearned Revenue Deferred/unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred/unearned revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities 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.

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 2006. 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, 2006. 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 2006 amounted to \$393,887 which includes \$104,928 assigned from other School District funds.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 and purchased food.

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 19 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	10 - 40 Years
Furniture and Equipment	5 - 20 Years	20 Years
Vehicles	13 Years	N/A
Textbooks	5 Years	N/A
Ice Arena	50 Years	N/A

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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 governmental 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 and special termination benefits that will be paid from governmental

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

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, property taxes and capital improvements.

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, costs for outside entities 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.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the 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 2006.

R. 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.

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the object level for certain functions within the general fund and at the fund level for other funds. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the 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 in effect when the final appropriations were passed.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the budgetary statements reflect the final appropriations passed by the Board during the year.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 3 - Fund Deficits

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

	<u>Deficit</u> <u>Fund Balance</u>
<i>Governmental Activities:</i>	
NonMajor Funds:	
Povery Aid	\$ 5,465
Title II-A	5,740
Title VI-B	44,827
Title VI	1,253
<i>Business-Type Activities:</i>	
NonMajor Funds:	
Food Service	98,877

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 4 - 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Net Change in Fund Balance

	General
GAAP Basis	\$ 3,793,113
Net Adjustment for Revenue Accruals	1,127,508
Advance In	389,450
Advance Out	(560,930)
Net Adjustment for Expenditure Accruals	(440,515)
Adjustment for Encumbrances	(473,461)
Budget Basis	\$ 3,835,165

Note 5 - 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.

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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.

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all public deposits. The face value of the pooled collateral must equal at least 105 percent of public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions

Deposits: The carrying value of the School District's deposits totaled \$6,394,927 and the bank balances of the deposits totaled \$6,874,734. Of the bank balance \$100,363 of the bank balance was covered by depository insurance; and \$6,774,371 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.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Investments

Investments are reported at fair value. As of June 30, 2006, the School District had the following investments:

Rating by Moody	Issue	Fair Value	Investment Maturity less than 1 year	Percentage of Total Investments
Aa2	Charter One Money Market	\$ 5,744,357	\$ 5,744,357	65.60%
AAAm	STAROhio	3,011,743	3,011,743	34.40%
		<u>\$ 8,756,100</u>	<u>\$ 8,756,100</u>	<u>100.00%</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District’s policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Credit Risk – The School District’s investment credit ratings are summarized above.

Concentration of Credit Risk –The School District places no limit on the amount the School District may invest in any one issuer. See percentages of investments above.

Note 6 - 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 2006 for real and public utility property taxes represents collections of calendar 2005 taxes. Property tax revenue received during calendar 2006 for tangible personal property (other than public utility property) is for calendar 2006 taxes.

2006 real property taxes are levied after April 1, 2006, 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. 2006 public utility property taxes became a lien December 31, 2005, are levied after April 1, 2006 and are collected in 2007 with real property taxes.

2006 tangible personal property taxes are levied after April 1, 2006, on the value as of December 31, 2005. Collections are made in 2005. Tangible personal property assessments are 18.75% of true value for capital assets and 18.75% of true value of inventory.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

The property valuation consisted of:

	<u>2005 Second Half Collection</u>	<u>2006 First Half Collection</u>
Real Property		
Residential/Agricultural	\$ 348,949,660	\$ 387,512,820
Commercial/Industrial	172,230,760	194,701,700
Public Utilities	56,230	53,340
Minerals	2,493,620	2,232,210
 Tangible Personal Property		
General	115,650,557	111,078,760
Public Utilities	<u>18,013,610</u>	<u>17,504,740</u>
 Total Valuation	 <u><u>\$ 657,394,437</u></u>	 <u><u>\$ 713,083,570</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 advances to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2006, are available to finance fiscal year 2006 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, 2006 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, 2006, was \$1,475,000 and is recognized as revenue. \$1,326,047 was available to the general fund and \$122,772 was available to the bond retirement debt service, and \$26,181 was available to other governmental funds.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 7 - Receivables

Receivables at June 30, 2006, 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. Intergovernmental receivables consisted of grants receivable in the following funds:

Governmental Funds:		
Title VI-B Grant	\$	134,120
Title I Grant		198,622
Title VI-B Grant		28,659
Drug Free Grant		4,558
Title II-A Grant		58,949
Miscellaneous Federal Grants		7,617
		<u>432,525</u>
Food Service Enterprise Fund		<u>22,199</u>
Total	\$	<u><u>454,724</u></u>

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 8 - Capital Assets

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

	Balance 06/30/05	Additions	Reductions	Balance 06/30/06
Governmental Activities				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 2,609,634	\$ 0	\$ 0	\$ 2,609,634
	2,609,634	0	0	2,609,634
<i>Capital Assets, being depreciated:</i>				
Land Improvements	2,882,463	0	0	2,882,463
Buildings and Improvements	52,339,483	0	0	52,339,483
Furniture and Equipment	6,057,200	44,860	(162,137)	5,939,923
Vehicles	1,863,555	117,544	(81,081)	1,900,018
Textbooks	205,647	0	0	205,647
Ice Arena	(1) 4,517,809	0	0	4,517,809
Total Capital Assets, being depreciated	67,866,157	162,404	(243,218)	67,785,343
Less Accumulated Depreciation:				
Land Improvements	(2,867,004)	(8,204)	0	(2,875,208)
Buildings and Improvements	(18,019,242)	(871,841)	0	(18,891,083)
Furniture and Equipment	(4,892,331)	(124,459)	160,916	(4,855,874)
Vehicles	(1,368,028)	(65,287)	81,081	(1,352,234)
Textbooks	(205,647)	0	0	(205,647)
Ice Arena	(1) (361,424)	(90,356)	0	(451,780)
Total Accumulated Depreciation	(27,713,676)	(1,160,147)	241,997	(28,631,826)
Total Capital Assets being depreciated, net	40,152,481	(997,743)	(1,221)	39,153,517
Governmental Activities Capital Assets, Net	\$ 42,762,115	\$ (997,743)	\$ (1,221)	\$ 41,763,151
Business-Type Activities				
<i>Capital Assets, being depreciated:</i>				
Buildings	2,535,383	0	0	2,535,383
Furniture and Equipment	575,967	4,255	(1,299)	578,923
Total Capital Assets, being depreciated	3,111,350	4,255	(1,299)	3,114,306
Less Accumulated Depreciation:				
Buildings	(540,884)	(50,708)	0	(591,592)
Furniture and Equipment	(559,298)	(5,280)	1,299	(563,279)
Total Accumulated Depreciation	(1,100,182)	(55,988)	1,299	(1,154,871)
Total Capital Assets being depreciated, net	2,011,168	(51,733)	0	1,959,435
Business-Type Activities Capital Assets, Net	\$ 2,011,168	\$ (51,733)	\$ 0	\$ 1,959,435

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 887,517
Special	3,802
Vocational	160
Support Services:	
Pupil	10,569
Instructional Staff	2,811
Administration	2,179
Fiscal	5,450
Operation and Maintenance of Plant	52,509
Pupil Transportation	55,939
Central	2,186
Operation of Non-Instructional Services	4,081
Extracurricular Activities	42,588
Depreciation Expense Not Included in in Other Functions	(1) <u>90,356</u>
Total Governmental Activities	<u>\$ 1,160,147</u>
 <i>Business-Type Activities:</i>	
Food Service	\$ 4,097
Community Recreation	<u>51,891</u>
Total Business-Type Activities	<u>\$ 55,988</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 9 - 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 School 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 School 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
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 School 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 School 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 School 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 2006, a total expense of \$5,326,407 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 \$445,336 reported in the fund at June 30, 2006 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 charges for services to other funds.

Changes in the fund's claims liability amount in 2005 and 2006 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>
2005	\$	582,815	5,289,059	5,150,956	\$ 720,918
2006	\$	720,918	4,820,188	5,095,770	\$ 445,336

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 10 - 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 11 - 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 or by calling (800) 878-5853. It is also posted on SERS' Web site, www.ohsers.org, under Forms and Publications.

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 2006, 10.58% 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, 2006, 2005 and 2004 were \$732,996, \$796,272 and \$814,728 respectively; 52% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. \$348,396 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

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, or by visiting the STRS Ohio Web site at www.strsoh.org.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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 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, 2006, 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, 2006, 2005, and 2004 were \$2,388,335, \$2,344,006, and \$2,780,362 respectively; 83% has been contributed for fiscal year 2006 and 100% for fiscal years 2005 and 2004. Contributions to the DC and Combined Plans for fiscal year 2006 were \$23,383 made by the School District and \$35,995 made by the plan members. \$407,216 represents the unpaid contribution for fiscal year 2006, and is recorded as a liability within the respective funds.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

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, 2006, four members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 12 - 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 covered payroll. For the fiscal year ended June 30, 2006, 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 \$170,595 during the 2006 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, (the latest information available), the balance in the Fund was \$3.3 billion. The health care costs paid by STRS were \$254,780,000 and STRS had 115,395 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.

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, 2006, employer contributions to fund health care benefits were 3.42% 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 2006, the minimum pay has been established at \$35,800. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2006 fiscal year equaled \$253,230.

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. Health care benefits are financed on a pay-as-you-go basis. Net health care costs for the year ending June 30, 2006, were \$158,751,207. The target level for the health care fund is 150% of the projected claims less premium contributions for the next fiscal year. As of June 30, 2006, the value of the health care fund was \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150% of estimated annual net claim costs. The number of participants eligible to receive benefits is 59,492.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 13 - Long - Term Obligations

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

	Outstanding 6/30/2005	Additions	Reductions	Outstanding 6/30/2006	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1993 Improvement 4.3% - 8.4%	\$ 597,333	\$ 0	\$ 306,537	\$ 290,796	\$ 290,796
2004 Bond Refunding 2.5% - 4.1%	2,775,002	0	200,000	2,575,002	200,000
2004 Capital Appreciation Bonds	234,998	0	0	234,998	0
Accretion on 2004 Capital Appreciation Bonds	0	33,839	0	33,839	0
1997 Bond Refunding 3.8% - 4.6%	15,300,000	0	610,000	14,690,000	635,000
1997 Capital Appreciation Bonds	3,664,831	0	0	3,664,831	0
Accretion on Capital Appreciation Bonds	3,104,358	577,101	0	3,681,459	0
Total General Obligation Bonds	25,676,522	610,940	1,116,537	25,170,925	1,125,796
Energy Conservation Bond					
Interest rate 4.6%, due 6/1/05	445,010	0	141,643	303,367	148,234
Compensated Absences	4,874,575	179,670	709,966	4,344,279	441,545
Total Governmental Activities Long-Term Liabilities	\$ 30,996,107	\$ 790,610	\$ 1,968,146	\$ 29,818,571	\$ 1,715,575
Business-Type Activities:					
Compensated Absences	\$ 234,636	\$ 49,352	\$ 4,235	\$ 279,753	\$ 21,928

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.

In 2004, the School District issued \$3,010,000 in refunded general obligation bonds. These include current interest bonds which mature in December 2018, and capital appreciation bonds which mature in December 2012. The associated costs of the refunding were insignificant and will not be amortized.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2007	\$ 1,125,796	\$ 1,680,438	\$ 0	\$ 0	\$ 1,125,796	\$ 1,680,438
2008	2,050,000	763,105	0	0	2,050,000	763,105
2009	2,245,000	661,265	0	0	2,245,000	661,265
2010	220,000	602,265	827,756	1,367,244	1,047,756	1,969,509
2011	225,000	595,865	787,427	1,477,573	1,012,427	2,073,438
2012 - 2016	5,555,000	2,675,422	2,284,646	5,200,356	7,839,646	7,875,778
2017 - 2019	6,135,002	334,653	0	0	6,135,002	334,653
Totals	\$ 17,555,798	\$ 7,313,013	\$ 3,899,829	\$ 8,045,173	\$ 21,455,627	\$15,358,186

Fiscal Year Ending June 30,	Energy Conservation Bonds	
	Principal	Interest
2007	\$ 148,234	\$ 12,250
2008	155,133	5,352
Totals	\$ 303,367	\$ 17,602

Note 14 - Unearned/Deferred Revenue

Unearned/deferred revenue at June 30, 2006 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 28,795,387	\$ 31,495,645
Premiums Receivable	623,598	0
Grants Receivable	0	259,610
Unearned/Deferred Revenue	\$ 29,418,985	\$ 31,755,255

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 15 - Interfund Transfers

Transfers for the year ended June 30, 2006 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 160,500
Permanent Improvements Fund	0	7,630
Pupil Support Fund	7,630	0
Debt Service Fund	160,500	0
	\$ 168,130	\$ 168,130

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.

The permanent improvement fund transferred funds received from the 21st Centry grant to the pupil support fund to pay the salary of an employee that fit the purpose of the grant.

Note 16 - Interfund Balances

Interfund balances at June 30, 2006 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 552,905	\$ 0
Nonmajor Governmental Funds	0	483,955
Nonmajor Enterprise Funds	0	68,950
	\$ 552,905	\$ 552,905

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, 2006, all interfund payables outstanding are anticipated to be repaid by fiscal year 2007.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2006

Note 17 - 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, 2006 the School District paid approximately \$217,917 for basic service charges.

Note 18 - 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, 2006.

Note 19 - 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, 2006, 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, 2006

	Textbook Instructional Materials Reserve	Capital Improvement Reserve	Total
Set-Aside Cash Balance as of June 30, 2005	\$ 0	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2005	(320,811)	196,951	(123,860)
Current Year Set-Aside Requirement	578,781	578,781	1,157,562
Qualifying Disbursements	(591,834)	(591,799)	(1,183,633)
Total	<u>\$ (333,864)</u>	<u>\$ 183,933</u>	<u>\$ (149,931)</u>
Balance Carried Forward to FY 2007	<u>\$ (333,864)</u>	<u>\$ 183,933</u>	<u>\$ (333,864)</u>
Amount to Restrict for Set-Asides			<u>\$ 183,933</u>
Total Restricted Assets			<u>\$ 183,933</u>

The School District had qualifying disbursements during the year that reduced the textbook reserve set-asides below zero. These extra amounts may be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials.

WOOSTER CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For The Fiscal Year Ended June 30, 2006

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. DEPARTMENT OF EDUCATION				
(Passed Through Ohio Department of Education):				
Title I	84.010	CI-SI-05	\$ 72,190	\$ 159,138
Title I	84.010	CI-SI-06	493,078	474,650
Title I-D	84.010	CI-SD-05	58,816	-
Title I-D	84.010	CI-SD-06	23,174	17,315
Total Title I			<u>647,258</u>	<u>651,103</u>
IDEA A-B	84.027	6B-SF-06	810,612	783,801
Access Grant "Close Gap"	84.027	6B-SD-05	2,457	3,255
IDEA A-B	84.027	6B-SA-05	3,456	36,987
IDEA A-B	84.027	6B-SA-06	12,196	14,763
Total Title VI-B, IDEA-B and Close the Gap			<u>828,721</u>	<u>838,806</u>
Safe & Drug Free Community Service Grant	84.184c	T4-SI-05	11,250	12,500
Drug Free Schools	84.186	DR-SI-05	6,786	3,184
Drug Free Schools	84.186	DR-SI-06	9,054	8,418
Total Drug Free Schools			<u>15,840</u>	<u>11,602</u>
Twenty-First Century Community Learning Centers	84.287	T1-A2-06	5,000	3,830
Title V-Innovative Programs	84.298	C2-SI-05	-	8
Title V-Innovative Programs	84.298	C2-SI-06	15,119	76,279
Total Title V Innovative Programs			<u>15,119</u>	<u>76,287</u>
Title II-D	84.318	TJ-SI-05	6,149	4,013
Title II-D	84.318	TJ-SI-06	6,360	4,644
Total Title II-D			<u>12,509</u>	<u>8,657</u>
Title II-A	84.367	TR-SI-05	21,288	20,172
Title II-A	84.367	TR-SI-06	203,067	156,598
Total Title II-A			<u>224,355</u>	<u>176,770</u>
TOTAL U. S. DEPARTMENT OF EDUCATION			1,760,052	1,779,555
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
(Passed Through State Department of Mental Retardation & Developmental Disabilities):				
Medical Assistance Program/CAFS	93.778	N/A	41,498	41,498
State Children's Insurance Program	93.767	N/A	4,111	4,111
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			45,609	45,609
U. S. DEPARTMENT OF AGRICULTURE				
(Passed Through Ohio Department of Education):				
Food Distribution Program (2)	10.550	N/A	70,229	70,229
Nutrition Cluster:				
School Breakfast Program	10.553	05PU-05/06	110,333	110,333
National School Lunch Program	10.555	LLP4-05/06	487,617	487,617
Special Milk Program for Children	10.556	02PU-06	5,804	5,804
Summer Food Service for Children	10.559	24PU-05	36,407	36,407
Total Nutrition Cluster			<u>640,161</u>	<u>640,161</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE			710,390	710,390
TOTAL FEDERAL ASSISTANCE			\$ 2,516,051	\$ 2,535,554

See notes to the schedule of Federal Awards Expenditures

**Wooster City School District
Wayne County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2006**

1. Significant Accounting Policies

The accompanying schedule of federal awards expenditures is a summary of the activity of the Wooster City School District's federal award programs. The schedule has been prepared on the cash basis of accounting. Consequently, certain revenues are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred.

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2006, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF STATEMENTS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wooster City School District
Wayne County
144 North Main Street
Wooster, Ohio 44691

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Wooster City School District (the School District), Wayne County, as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 5, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the 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 an opinion on the internal control over financial reporting. Our consideration of internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the School District in a separate letter dated January 5, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated January 5, 2007.

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

Charles E. Harris & Associates, Inc.
January 5, 2007

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Wooster City School District
Wayne County
144 North Market Street
Wooster, Ohio 44691

To the Board of Education:

Compliance

We have audited the compliance of the Wooster City School District (the School District) with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. The School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the 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 Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major program occurred. An audit includes examining, on a test basis, evidence about the 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 the School District's compliance with those requirements.

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the 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 the 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*.

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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Charles E. Harris & Associates, Inc.
January 5, 2007

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 SECTION .505**

**Wooster City School District
Wayne County
June 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - (continued)
OMB CIRCULAR A-133 SECTION .505

Wooster City School District
Wayne County
June 30, 2006

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY
June 30, 2006**

Schedule of Prior Audit's Citations and Recommendations

The prior audit report, for the year ended June 30, 2005, reported no material citations or recommendations.



Mary Taylor, CPA
Auditor of State

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
APRIL 12, 2007