



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

SINLGE AUDIT

FOR THE YEAR ENDED JUNE 30, 2005



**Auditor of State
Betty Montgomery**

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - General Fund	17
Statement of Fiduciary Net Assets – Fiduciary.....	18
Statement of Changes in Fiduciary Net Assets – Fiduciary Fund	19
Notes to the Basic Financial Statements	21
Schedule of Federal Awards Expenditures.....	46
Notes to the Schedule of Federal Awards Expenditures	49
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	53
Schedule of Findings.....	55

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wauseon Exempted Village School District
Fulton County
126 S. Fulton Street
Wauseon, OH 43567-1350

To the Board of Education

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio, as of June 30, 2005, and the respective changes in financial position budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is 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. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 6, 2006

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED**

The discussion and analysis of the Wauseon Exempted Village School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2005 are as follows:

- In total, net assets increased \$43,836.
- General revenues accounted for \$14,294,911 or 86% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,329,934 or 14% of total revenues of \$16,624,845.
- The District had \$16,581,009 in expenses related to governmental activities; only \$2,329,934 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activity (primarily taxes and unrestricted grants and entitlements) of \$14,294,911 were adequate to provide for these programs.
- The District's major funds included the General Fund and the Bond Retirement Fund.
- The General Fund had \$13,657,232 in revenues and other financing sources and \$13,429,234 in expenditures. There were no significant changes in the General Fund revenues or expenditures between fiscal years 2004 to 2005. The General Fund's balance increased \$227,998 from the prior fiscal year.
- The revenue generated from the Bond Retirement Fund is used to pay for the current portion of bonded debt. The Bond Retirement Fund had \$11,267,939 in revenues and other financing sources and \$11,547,006 in expenditures. The Bond Retirement Fund balance decreased by \$279,067 from the prior fiscal year.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other nonmajor funds presented in total in a single column.

For the District, the General Fund is by far the most significant fund. The General Fund and the Bond Retirement Fund are the only two major funds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2005?" 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 accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The major governmental funds are the General Fund and the Bond Retirement Fund.

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

Reporting the District's Fiduciary Responsibilities - The District is the trustee, or fiduciary, for its scholarship programs. The activity is presented as a private purpose trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency funds. All of the District fiduciary activities are reported in a separate Statement of Fiduciary Net Assets in the accompanied financial statements. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The District as a Whole

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 90 percent of total governmental activities revenue. Reappraisal of real estate property values takes place every six years. Fulton County is scheduled for the reappraisal in calendar year 2005.

The District's financial situation has improved in recent years relative to the increase in State Support in fiscal year 2004. State support increased approximately \$261,322 over fiscal year 2004. Growth in State support is expected to be at a lesser rate than previous years as substantiated by the State's biennium budget.

Table 1 provides a summary of the District's net assets for fiscal year 2005 compared to 2004.

Table 1		
Net Assets		
Governmental Activities		
	2005	2004
Assets		
Current and Other Assets	\$13,466,068	\$13,071,867
Capital Assets, Net	10,096,694	10,391,954
Total Assets	<u>23,562,762</u>	<u>23,463,821</u>
Liabilities		
Current and Other Liabilities	7,212,938	6,918,106
Long-Term Liabilities	12,061,364	12,283,489
Total Liabilities	<u>19,274,302</u>	<u>19,201,595</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	(897,396)	(833,296)
Restricted	1,429,979	1,776,780
Unrestricted	3,755,877	3,318,742
Total	<u>\$4,288,460</u>	<u>\$4,262,226</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for fiscal year 2005 compared to 2004.

**Table 2
Change in Net Assets
Governmental Activities**

	2005	2004
<u>Revenues:</u>		
Program Revenues:		
Charges for Services and Sales	\$1,275,526	\$1,315,433
Operating Grants, Contributions	1,054,408	886,185
Capital Grants, Contributions		48,950
Total Program Revenues	<u>2,329,934</u>	<u>2,250,568</u>
General Revenues:		
Property Taxes	5,405,735	5,316,633
Grants and Entitlements	8,569,972	8,299,875
Interest	163,277	85,150
Gifts and Donations	4,905	9,370
Miscellaneous	142,596	106,641
Proceeds from Sale of Capital Assets	20	
Accrued Interest Received on Debt Issuance	8,406	
Total General Revenues	<u>14,294,911</u>	<u>13,817,669</u>
Total Revenues	<u>16,624,845</u>	<u>16,068,237</u>
<u>Expenses:</u>		
Instruction	9,477,873	8,916,804
Support Services:		
Pupils	565,151	596,133
Instructional Staff	577,485	573,487
Board of Education	45,981	34,427
Administration	1,086,253	1,061,980
Fiscal	303,712	350,634
Business	67,453	62,639
Operation and Maintenance of Plant	1,531,454	1,382,459
Pupil Transportation	603,997	576,272
Central	57,351	60,765
Non-Instructional	779,087	701,902
Extracurricular Activities	527,776	525,334
Capital Outlay	8,824	95,936
Advanced Refunding Escrow	575,000	
Interest and Fiscal Charges	373,612	657,863
Total Expenses	<u>16,581,009</u>	<u>15,596,635</u>
Increase in Net Assets	<u>\$43,836</u>	<u>\$471,602</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Table 3 indicates the total cost of services and the net cost of services for governmental activities for fiscal year 2005 compared to 2004.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2005	2005	2004	2004
Instruction	\$9,477,873	\$8,085,413	\$8,916,804	\$7,564,175
Support Services:				
Pupils	565,151	533,630	596,133	582,515
Instructional Staff	577,485	522,174	573,487	553,334
Board of Education	45,981	45,981	34,427	34,427
Administration	1,086,253	1,085,153	1,061,980	1,061,980
Fiscal	303,712	303,712	350,634	350,634
Business	67,453	67,453	62,639	62,639
Operation and Maintenance of Plant	1,531,454	1,531,454	1,382,459	1,382,459
Pupil Transportation	603,997	603,997	576,272	568,693
Central	57,351	45,351	60,765	48,765
Non-Instructional	779,087	34,945	701,902	(29,080)
Extracurricular Activities	527,776	434,376	525,334	411,727
Capital Outlay	8,824	8,824	95,936	95,936
Advanced Refunding Escrow	575,000	575,000		
Interest and Fiscal Charges	373,612	373,612	657,863	657,863
Total Expenses	<u>\$16,581,009</u>	<u>\$14,251,075</u>	<u>\$15,596,635</u>	<u>\$13,346,067</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$26,693,186 and expenditures and other financing uses of \$26,733,394. The net negative change of \$40,208 in fund balance for the year indicates that the District was not able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2005, the District amended its General Fund budget as needed.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

Final expenditures were budgeted at \$14,036,349 while actual expenditures were \$13,417,074. The \$619,275 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were more than expenditures by \$316,386. During fiscal year 2005, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the District had \$10,096,694 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 7 to the basic financial statements.

Debt

At June 30, 2005, the District had \$10,869,473 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-six year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement Fund.

At June 30, 2005, the District's overall legal debt margin was \$5,996,877, with an unvoted debt margin of \$187,404.

For further information regarding the District's debt see Note 12 to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Wauseon Schools is one of the 621 City, Local and Exempted Village school districts in the State and 7 in the County. Wauseon is a small rural community in Northwest Ohio whose 2000 census population was 9,803 people. Its area is approximately 53.2 square miles. It has a number of small businesses with agriculture being an important part of the economy.

The district is currently operating in the second year of the state biennium budget. According to the December 16, 2004 CUPP report (found on the School Finance web page of the Ohio Department of Education) 37.0% of district revenue sources are from local funds, 58.8% from state funds and the remaining 4.2% is from federal funds. The total expenditure per pupil was calculated for FY04 at \$6,229, which was \$2,525 less than the statewide average.

In 1991, the District passed a five-year emergency levy to generate \$835,000 and has renewed it twice. This levy provides a continuous source of funds for the financial operations and stability of the District.

The District also passed a 1.0 mill permanent improvement levy in 1983. This generated approximately \$100,000 additional revenue to be used for maintaining, equipping and improving facilities of the District. Since the passage of this levy, the effective rate of taxation had been rolled back from 1.0 mill to .49 mills. The Board of Education made the decision to ask the community to replace the current levy at the original effective rate in May 2004. The community supported this decision. The increase in millage will result in approximately \$84,000 of additional revenue for capital projects within the District. Collections commenced in calendar year 2005. The district realized approximately a \$39,000 increase in fiscal year 2005, which reflects half of a tax year collection. (Tax collections are based on a January through December collection year, while fiscal years are based on July through June).

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED
(Continued)**

The District is in the midst of a public engagement process dealing with facility planning. This is based on our anticipated eligibility for an Ohio School Facility Project in 2006 or 2007. Multiple "core committee" meetings have been conducted as well as three "community meetings" in preparation.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Dameron, Treasurer, Wauseon Exempted Village School District, 126 South Fulton Street, Wauseon, Ohio 43567-1350.

This page intentionally left blank.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
For the Fiscal Year Ended June 30, 2005**

		Governmental Activities
Assets:		
Equity in Pooled Cash and Cash Equivalents	\$	7,107,296
Materials and Supplies Inventory		21,806
Receivables:		
Accrued Interest Receivable		6,199
Accounts		16,212
Intergovernmental		49,392
Taxes		5,861,124
Prepaid Items		41,092
Unamortized Bond Issue Costs		362,947
Capital Assets:		
Non-Depreciable Capital Assets		387,500
Depreciable Capital Assets, net		9,709,194
Total Assets		<u>23,562,762</u>
Liabilities:		
Accounts Payable		11,106
Accrued Wages and Benefits		1,283,302
Intergovernmental Payable		315,337
Accrued Interest Payable		32,716
Matured Compensated Absences Payable		33,727
Deferred Revenue		5,536,750
Long-Term Liabilities:		
Due Within One Year		598,564
Due in More Than One Year		11,462,800
Total Liabilities		<u>19,274,302</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt		(897,396)
Restricted for Debt Service		1,119,816
Restricted for Capital Outlay		174,069
Restricted for Other Purposes		136,094
Unrestricted		3,755,877
Total Net Assets	\$	<u>4,288,460</u>

See Accompanying Notes to the Basic Financial Statements.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2005**

		Program Revenues		Net (Expense) Revenue and Changes in Net Assets
Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
Governmental Activities:				
Instruction:				
Regular	\$ 7,113,559	\$ 691,033	\$ 187,885	\$ (6,234,641)
Special	1,608,933		499,844	(1,109,089)
Vocational	275,597		13,698	(261,899)
Other	479,784			(479,784)
Support Services:				
Pupils	565,151		31,521	(533,630)
Instructional Staff	577,485		55,311	(522,174)
Board of Education	45,981			(45,981)
Administration	1,086,253		1,100	(1,085,153)
Fiscal	303,712			(303,712)
Business	67,453			(67,453)
Operation and Maintenance of Plant	1,531,454			(1,531,454)
Pupil Transportation	603,997			(603,997)
Central	57,351		12,000	(45,351)
Operation of Non-Instructional Services	779,087	491,093	253,049	(34,945)
Extracurricular Activities	527,776	93,400		(434,376)
Capital Outlay	8,824			(8,824)
Debt Service:				
Advance Refunding Escrow	575,000			(575,000)
Interest and Fiscal Charges	373,612			(373,612)
Total Governmental Activities	\$ <u>16,581,009</u>	\$ <u>1,275,526</u>	\$ <u>1,054,408</u>	\$ <u>(14,251,075)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				4,169,287
Property Taxes, Levied for Capital Outlay				135,565
Property Taxes, Levied for Debt Service				1,100,883
Grants and Entitlements not Restricted to Specific Programs				8,569,972
Gifts and Donations				4,905
Investment Earnings				163,277
Miscellaneous				142,596
Proceeds from Sale of Capital Assets				20
Accrued Interest Received on Debt Issuance				8,406
Total General Revenues				<u>14,294,911</u>
Change in Net Assets				43,836
Net Assets Beginning of Year (Restated)				<u>4,244,624</u>
Net Assets End of Year				\$ <u>4,288,460</u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	General Fund	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 5,694,312	\$ 1,085,230	\$ 327,754	\$ 7,107,296
Receivables:				
Accrued Interest Receivable	6,199			6,199
Accounts	13,665		2,547	16,212
Interfund Receivable	8,566			8,566
Intergovernmental			49,392	49,392
Taxes	4,538,117	1,151,247	171,760	5,861,124
Prepaid Items	41,092			41,092
Materials and Supplies Inventory	11,203		10,603	21,806
Total Assets	10,313,154	2,236,477	562,056	13,111,687
Liabilities:				
Accounts Payable	10,335		771	11,106
Accrued Wages and Benefits	1,211,769		71,533	1,283,302
Interfund Payable			8,566	8,566
Intergovernmental Payable	202,186		8,523	210,709
Matured Compensated Absences Payable	33,727			33,727
Deferred Revenue	4,374,075	1,106,529	165,094	5,645,698
Total Liabilities	5,832,092	1,106,529	254,487	7,193,108
Fund Balances				
Reserved for Encumbrances	12,790		95,163	107,953
Reserved for Inventory	11,203			11,203
Reserved for Prepaid Items	41,092			41,092
Reserved for Property Taxes	164,042	44,718	6,666	215,426
Unreserved, Undesignated, Reported in:				
General Fund	4,251,935			4,251,935
Special Revenue Funds			130,224	130,224
Debt Service Funds		1,085,230		1,085,230
Capital Projects Funds			75,516	75,516
Total Fund Balances	4,481,062	1,129,948	307,569	5,918,579
Total Liabilities and Fund Balances	\$ 10,313,154	\$ 2,236,477	\$ 562,056	\$ 13,111,687

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
For the Fiscal Year Ended June 30, 2005**

Total Governmental Fund Balances	\$	5,918,579
 Amounts reported for governmental activities on the statement of net assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		10,096,694
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Delinquent Taxes Receivable	\$ <u>108,948</u>	108,948
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(104,628)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
Accrued Interest Payable	(32,716)	
General Obligation Bonds Payable	(10,869,473)	
Compensated Absences Payable	<u>(828,944)</u>	
		<u>(11,731,133)</u>
Net Assets of Governmental Activities	\$	<u><u>4,288,460</u></u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2005**

	General Fund	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
Revenues:				
Property and Other Local Taxes	\$ 4,209,434	\$ 1,111,717	\$ 135,529	\$ 5,456,680
Intergovernmental	8,514,674	147,899	979,286	9,641,859
Interest	159,632		3,645	163,277
Tuition and Fees	616,511		64,646	681,157
Rent	7,262			7,262
Extracurricular Activities			91,400	91,400
Gifts and Donations	4,489		416	4,905
Customer Sales and Services	2,614		493,093	495,707
Miscellaneous	142,596			142,596
Total Revenues	13,657,212	1,259,616	1,768,015	16,684,843
Expenditures:				
Current:				
Instruction:				
Regular	6,671,387		227,161	6,898,548
Special	1,208,393		365,792	1,574,185
Vocational	265,137		5,930	271,067
Other	479,784			479,784
Support Services:				
Pupils	449,320		102,260	551,580
Instructional Staff	508,971		53,606	562,577
Board of Education	43,688		2,293	45,981
Administration	1,038,676		3,840	1,042,516
Fiscal	265,440	25,666	3,071	294,177
Business	65,160			65,160
Operation and Maintenance of Plant	1,411,450		102,561	1,514,011
Pupil Transportation	567,424			567,424
Central	45,351		12,000	57,351
Operation of Non-Instructional Services			770,182	770,182
Extracurricular Activities	408,053		108,458	516,511
Capital Outlay	1,000			1,000
Debt Service:				
Principal		640,000		640,000
Interest		306,423		306,423
Advance Refunding Escrow		575,000		575,000
Bond Issuance Cost		135,627		135,627
Total Expenditures	13,429,234	1,682,716	1,757,154	16,869,104
Excess of Revenues Over (Under) Expenditures	<u>227,978</u>	<u>(423,100)</u>	<u>10,861</u>	<u>(184,261)</u>
Other Financing Sources and (Uses)				
Refunding Bonds Issued		9,479,993		9,479,993
Proceeds from Sale of Capital Assets	20			20
Payments to Refunded Bond Escrow Agent		(9,864,290)		(9,864,290)
Premium on Debt Issuance		519,924		519,924
Accrued Interest Received on Debt Issuance		8,406		8,406
Total Other Financing Sources and Uses	20	144,033		144,053
Net Change in Fund Balances	227,998	(279,067)	10,861	(40,208)
Fund Balance (Deficit) at Beginning of Year	4,253,064	1,409,015	296,708	5,958,787
Fund Balance (Deficit) at End of Year	\$ 4,481,062	\$ 1,129,948	\$ 307,569	\$ 5,918,579

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ (40,208)

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	\$ 101,039	
Depreciation	<u>(379,387)</u>	(278,348)

The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the cost of the capital assets is removed from the capital asset account on the statement of net assets and is offset against the proceeds from the sale of capital assets resulting in a gain (loss) on disposal of capital assets on the statement of activities.

Gain (Loss) on Disposal of Capital Assets	<u>(16,912)</u>	(16,912)
---	-----------------	----------

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

Delinquent Taxes	(50,945)	
Intergovernmental	<u>(17,479)</u>	(68,424)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities. 640,000

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Capital Appreciation Interest		(34,473)
-------------------------------	--	----------

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Accrued Interest Payable	(32,716)	
Intergovernmental Payable	(4,875)	
Compensated Absences Payable	<u>(120,208)</u>	<u>(157,799)</u>

Change in Net Assets of Governmental Activities	\$	<u><u>43,836</u></u>
---	----	----------------------

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
GENERAL FUND
For the Fiscal Year Ended June 30, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Property and Other Local Taxes	\$ 4,369,945	\$ 4,369,945	\$ 4,297,945	\$ (72,000)
Intergovernmental	8,457,000	8,457,000	8,514,674	57,674
Interest	95,000	95,000	153,433	58,433
Tuition and Fees	616,500	616,500	616,611	111
Rent	8,500	8,500	7,262	(1,238)
Gifts and Donations	100	100	4,489	4,389
Customer Sales and Services	5,000	5,000	2,614	(2,386)
Miscellaneous	75,000	75,000	99,440	24,440
Total Revenues	<u>13,627,045</u>	<u>13,627,045</u>	<u>13,696,468</u>	<u>69,423</u>
Expenditures				
Current:				
Instruction:				
Regular	6,721,353	6,766,322	6,643,302	123,020
Special	1,412,840	1,333,357	1,195,716	137,641
Vocational	276,470	275,470	260,686	14,784
Other	491,000	508,300	481,158	27,142
Support Services:				
Pupils	474,325	469,325	446,457	22,868
Instructional Staff	529,915	531,560	509,298	22,262
Board of Education	43,175	48,175	40,738	7,437
Administration	1,047,765	1,077,732	1,029,232	48,500
Fiscal	329,505	329,505	294,430	35,075
Business	67,930	68,700	63,620	5,080
Operation and Maintenance of Plant	1,494,825	1,508,755	1,420,089	88,666
Pupil Transportation	585,535	603,036	569,150	33,886
Central	70,000	70,000	45,351	24,649
Extracurricular Activities	429,310	429,012	408,281	20,731
Capital Outlay:		1,000	1,000	
Total Expenditures	<u>13,973,948</u>	<u>14,020,249</u>	<u>13,408,508</u>	<u>611,741</u>
Excess of Revenues Over (Under) Expenditures	<u>(346,903)</u>	<u>(393,204)</u>	<u>287,960</u>	<u>681,164</u>
Other Financing Sources and Uses:				
Proceeds from Capital Assets	500	500	20	(480)
Refund of Prior Year Expenditures	30,000	30,000	31,347	1,347
Advances In	5,625	5,625	5,625	
Transfers Out	(7,500)	(7,500)		7,500
Advances Out		(8,600)	(8,566)	34
Total Other Financing Sources and Uses	<u>28,625</u>	<u>20,025</u>	<u>28,426</u>	<u>8,401</u>
Net Change in Fund Balances	<u>(318,278)</u>	<u>(373,179)</u>	<u>316,386</u>	<u>689,565</u>
Fund Balance at Beginning of Year	5,314,265	5,314,265	5,314,265	
Prior Year Encumbrances Appropriated	43,228	43,228	43,228	
Fund Balance at End of Year	<u>\$ 5,039,215</u>	<u>\$ 4,984,314</u>	<u>\$ 5,673,879</u>	<u>\$ 689,565</u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005**

	<u>Private Purpose Trust</u>	<u>Agency Fund</u>
Assets:		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	\$ <u>408,636</u>	\$ <u>80,172</u>
Total Assets	<u>408,636</u>	<u>80,172</u>
Liabilities:		
Current Liabilities:		
Undistributed Monies	<u> </u>	<u>80,172</u>
Total Liabilities	<u> </u>	<u>80,172</u>
Net Assets:		
Held in Trust for Scholarships	<u>408,636</u>	<u> </u>
Total Net Assets	<u>\$ <u>408,636</u></u>	<u>\$ <u> </u></u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2005**

	<u>Private Purpose Trust</u>
Additions:	
Gifts and Contributions	\$ 161,085
Interest	<u>5,035</u>
Total Additions	<u>166,120</u>
Deductions:	
Payments in Accordance with Trust Agreements	<u>13,925</u>
Total Deductions	<u>13,925</u>
Change in Net Assets	152,195
Net Assets Beginning of Year (restated)	<u>256,441</u>
Net Assets End of Year	<u>\$ 408,636</u>

See Accompanying Notes to the Basic Financial Statements

This page intentionally left blank.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wauseon Exempted Village School District, (the District), Fulton County, is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the District's four instructional/support facilities staffed by 63 non-certified and 145 certificated full time teaching personnel who provide services to 2,049 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District.

The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization.

The Wauseon Public Library is not part of the District and is excluded from the accompanying financial statements. This organization is presented in Note 16.

The District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 14 and 15 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the District's accounting policies.

A. Basis of Presentation

The 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 District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the District's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain 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 District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus 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 General Fund and the Bond Retirement Fund are the District's major governmental funds:

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

Bond Retirement Fund - The Bond Retirement Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

The other governmental funds of the District account for grants and other resources and capital projects of the District whose uses are restricted to a particular purpose.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Fiduciary Funds

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

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 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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 on the fund financial statements. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Deferred Revenue

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

Property taxes for which there is an enforceable legal claim as of June 30, 2005, but which were levied to finance fiscal year 2006 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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 on 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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2005 is as follows:

1. As permitted by state statute, the County Budget Commission waived the requirement that the District adopt and submit a tax budget. The Budget Commission required the District to provide the five-year forecast and detail of debt issues with amortization schedules in lieu of the tax budget.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. By October 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure for meeting the ordinary expenses of the District until it passes an annual appropriation measure.

Board adopted appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total expenditures and encumbrances may not exceed appropriations at the legal level of control.

3. Any revisions that alter the appropriations at the legal level of control must be approved by the Board of Education.
4. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriations.
5. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which reallocated, increased or decreased the original appropriated amounts. The Board legally enacted all supplemental appropriations, during fiscal year 2005.
6. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The District utilizes a financial institution to service bonded debt as principal and interest payments come due.

During the fiscal year 2005, investments were limited to Certificates of Deposit valued at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$159,632; interest in the amount of \$8,680 was credited to other District funds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

H. Inventory

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

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased, except for the food service fund. Inventories of the food service fund consist of donated and purchased food, and are expensed when used.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District's capitalization threshold is five thousand dollars. The 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 capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 - 50 years
Buildings and Buildings Improvements	50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. 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 activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

K. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences." In conformity with GASB Statement No. 16, the District accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2005.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

L. Accrued Liabilities and Long-Term Obligations

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

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

M. 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 District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

N. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventory, prepaids, and encumbrances.

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

O. Interfund Transactions

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

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

P. 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 on the financial statements and accompanying notes. Actual results may differ from those estimates.

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 District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2005.

3. BUDGETARY BASIS OF ACCOUNTING

While the District is reporting financial position, results of operations, and changes in fund balances 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 and Actual Comparison (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING – (Continued)

2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$227,998
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2004, Received In Cash FY 2005	254,509
Accrued FY 2005, Not Yet Received in Cash	(215,253)
Expenditure Accruals:	
Accrued FY 2004, Paid in Cash FY 2005	(1,364,556)
Accrued FY 2005, Not Yet Paid in Cash	1,437,069
Advances In/Out Net	(2,941)
Encumbrances Outstanding at Year End (Budget Basis)	(20,440)
Budget Basis	\$316,386

4. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, 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;

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations; provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

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.

At year end, the District had \$3,300 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$4,404,770 of the District's bank balance of \$7,910,154 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. DEPOSITS AND INVESTMENTS – (Continued)

Investments

As of June 30, 2005, the District did not have any investments.

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes for 2004 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. 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 alternate payment dates to be established.

Public utility property tax revenue received in calendar 2005 represents collections of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien December 31, 2003, were levied after April 1, 2004, and are collected in 2005 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes for 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts 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 District prior to June 30.

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes, which are measurable as of June 30, 2005, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

5. PROPERTY TAXES – (Continued)

The amount available as an advance at June 30, 2005, was \$164,042 in the General Fund, \$44,718 in the Debt Service Fund, and \$6,666 in the Capital Projects Fund. The amount available as an advance at June 30, 2004, was \$252,553 in the General Fund, \$68,090 in the Debt Service Fund, and \$5,134 in the Capital Projects Fund.

The assessed values upon which the fiscal year 2005 taxes were collected are:

	2004 Second- Half Collections		2005 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$120,337,500	64%	\$122,960,460	65%
Industrial/Commercial	34,674,060	18%	34,837,640	19%
Public Utility	8,977,090	5%	8,594,330	5%
Tangible Personal	24,270,090	13%	21,011,464	11%
Total Assessed Value	<u>\$188,258,740</u>	<u>100%</u>	<u>\$187,403,894</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.20		\$44.80	

6. RECEIVABLES

Receivables at June 30, 2005, consisted of property, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables on the Statement of Net Assets follows:

	Amount
Governmental Activities	
Taxes	\$5,861,124
Intergovernmental	49,392
Accounts	16,212
Accrued Interest	6,199
Total Receivables	<u>\$5,932,927</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Balance at 6/30/04</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/05</u>
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$387,500			\$387,500
Total Nondepreciable Capital Assets	<u>387,500</u>			<u>387,500</u>
Depreciable Capital Assets				
Land Improvements	509,601			509,601
Buildings and Building Improvements	13,452,780			13,452,780
Furniture, Fixtures, and Equipment	483,588	\$67,614	\$61,715	489,487
Vehicles	891,316	33,425		924,741
Total Depreciable Capital Assets	<u>15,337,285</u>	<u>101,039</u>	<u>61,715</u>	<u>15,376,609</u>
Less Accumulated Depreciation				
Land Improvements	347,014	18,520		365,534
Buildings and Building Improvements	4,038,822	263,808		4,302,630
Furniture, Fixtures, and Equipment	277,858	40,472	44,803	273,527
Vehicles	669,137	56,587		725,724
Total Accumulated Depreciation	<u>5,332,831</u>	<u>379,387</u>	<u>44,803</u>	<u>5,667,415</u>
Depreciable Capital Assets, Net	<u>10,004,454</u>	<u>(278,348)</u>	<u>16,912</u>	<u>9,709,194</u>
Governmental Activities Capital Assets, Net	<u>\$10,391,954</u>	<u>(\$278,348)</u>	<u>\$16,912</u>	<u>\$10,096,694</u>

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$219,105
Special	28,993
Vocational	10,875
Support Services:	
Pupil	10,455
Instructional Staff	10,169
Administration	7,687
Operation and Maintenance of Plant	3,041
Pupil Transportation	53,346
Non-Instruction	4,978
Extracurricular	22,914
Capital Outlay	7,824
Total Depreciation Expense	<u>\$379,387</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

8. RISK MANAGEMENT

Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are fully coinsured.

<u>Coverage provided by the Ohio School Plan</u>	<u>Liability Limit</u>
General Liability	
Per Occurrence	\$3,000,000
Total per Year	5,000,000
Blanket Property Insurance (\$1,000 deductible)	33,984,850
Auto Coverage	
Liability	3,000,000
Auto Medical Payment	5,000
Uninsured/Underinsured Motorist Coverage	1,000,000

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

9. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing 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 43215-3676 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003, were \$174,811, \$146,453 and \$122,952 respectively; 55 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLANS – (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the combined plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan.

The DB Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" of the "money-purchased benefit" calculation. Under the "formula benefit" the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

The DC plan benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity of a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. 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.

Under the Combined Plan, member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1 percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLANS – (Continued)

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 reemployment member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or lump sum payment in addition to the original retirement allowance. Benefits are increased annually by 3 percent of the original base amount for Defined Benefit Plan participants.

The defined Benefit and Combined plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC, or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Member and employer contributions actually made for Defined Contributions and Combined Plan Participants will be provided upon written request.

The District's required contributions for pension obligations for the fiscal years ended June 30, 2005, 2004, and 2003, were \$975,368, \$906,181 and \$864,598, respectively; 84 percent has been contributed for fiscal year 2005 and 100 percent for the fiscal years 2004 and 2003.

10. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code, the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently at 14% of covered payroll.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

10. POST-EMPLOYMENT BENEFITS – (Continued)

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2005, the board allocated employer contributions equal to 1% of covered payroll to Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$3.3 billion on June 30, 2005.

For the year ended June 30, 2005, net health care costs paid by STRS Ohio were \$254,780,000. There were 115,395 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at \$27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Net Health care costs for the year ending June 30, 2005, were \$178,221,113. 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, 2005, the value of the health care fund was \$267.5 million, which is about 168% of next years projected net health care costs of \$158,776,151. 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.

SERS has approximately 58,123 participants currently eligible to receive health care benefits.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .245, then adding the surcharge due as of June 30, 2005, as certified to your district by SERS.

11. OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve (12) and eleven (11) month employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. At June 30, 2005, a liability of \$8,373 has been provided in the General Fund for earned, but unused vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

11. OTHER EMPLOYEE BENEFITS – (Continued)

an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum payout of 51 days for bus drivers and 54 days for all other employees. At June 30, 2005, a current liability of \$25,354 has been provided in the General Fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$828,944 for severance pay and sick leave payable at June 30, 2005, in accordance with GASB No. 16, "Accounting for Compensated Absences." The amount has been recorded in the Government-Wide Basic Financial Statements since the liability will not require the use of current expendable available financial resources.

12. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt outstanding at June 30, 2005, consisted of the following:

	<u>School Improvement</u>
General Obligation Bonds	
Principal Outstanding	\$10,869,473
Interest Rate	2.0 – 4.25%

Outstanding general obligation bonds consist of school improvement bonds and refunding bonds.

These bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the government. These bonds were issued in February 1997 and October 2004. The school improvement bonds will mature in December 2011. The refunding bonds used to pay off a portion of the 1997 school improvement bonds will mature 2022.

Interest is paid semi-annually in June and December, while principal is paid annually in December from the Debt Service Fund.

Total expenditures incurred by the District for interest on the above bonds was \$306,423 for the period ended June 30, 2005.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. LONG-TERM OBLIGATIONS – (Continued)

During the year ended June 30, 2005, the following changes occurred in long-term obligations:

	Balance at 06/30/04	Increase	Decrease	Balance at 06/30/05	Amount Due In one Year
General obligation bonds - 1997	\$11,475,000		\$9,990,000	\$1,485,000	\$465,000
General obligation bonds – 2005		\$9,095,000	130,000	8,965,000	110,000
Capital Appreciation Bonds - 2005		419,473		419,473	
Total GO Bonds	11,475,000	9,514,473	10,120,000	10,869,473	575,000
Other Long Term Obligations					
Compensated absences payable	708,736	828,944	708,736	828,944	23,564
Total Other Long Term Obligations	708,736	829,944	708,736	828,944	23,564
Total Governmental Activities	<u>\$12,183,736</u>	<u>\$10,343,417</u>	<u>\$10,828,736</u>	11,698,417	<u>\$598,564</u>
Less: Unamortized deferred charge on refunding				(128,092)	
Add: Unamortized Premium on Refunding				491,039	
Total on Statement of Net Assets				<u>\$12,061,364</u>	

Compensated absences typically have been liquidated in the General Fund and other governmental funds.

On October 5, 2004, the District issued current interest bonds, par value \$9,095,000 with an average interest rate of 3.39 percent and capital appreciation bonds par value \$384,993 with an interest rate of 13.239 percent (School Improvement Refunding Bonds, Series 2004) to advance refund \$9,480,000 of outstanding School Improvement Bonds Series 1997 with an average interest rate of 5.5 percent. The net proceeds of 9,864,290 (after payment of \$135,627 in underwriting fees, insurance, and other issuance costs) plus an additional \$575,000 of 1997 Series bonds sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series bonds. As a result, the 1997 Series bonds are considered to be defeased and the liability for those bonds has been removed from the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$384,297. This amount is netted against the old debt and amortized over the remaining life of the refunded debt.

The current refunding was undertaken to reduce total debt service payments over the next 18 years by \$897,617 and resulted in an economic gain of \$485,629.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

12. LONG-TERM OBLIGATIONS – (Continued)

The scheduled payments of principal and interest on debt outstanding at June 30, 2005, are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$575,000	\$392,593	\$967,593
2007	600,000	367,329	967,329
2008	625,000	344,926	969,926
2009	645,000	325,280	970,280
2010	665,000	303,490	968,490
2011-2015	2,259,473	2,054,058	4,313,531
2016-2020	3,275,000	812,184	4,087,184
2021-2023	2,225,000	139,586	2,364,586
Total	<u>\$10,869,473</u>	<u>\$4,739,446</u>	<u>\$15,608,919</u>

13. SET-ASIDE CALUCLATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the General Fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2004	(\$356,592)	
Current Year Set-aside Requirement	293,966	\$293,966
Current Year Offsets		(113,462)
Qualifying Disbursements	(393,367)	(180,504)
Total	<u>(\$455,993)</u>	<u>-</u>
Balance Carried Forward to FY 2006	<u>(\$455,993)</u>	

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisition. Although the District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and therefore, are not presented.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

14. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA). NWOCA is an association of public school districts within the boundaries of Defiance, Fulton, Henry, Lucas and Williams Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Treasurer, at Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from the Fulton County Educational Service Center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials and provide opportunities for training. The NOERC serves a twenty-five county area of Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., P.O. Box 456, Ashland, Ohio 44805.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

15. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

The Northern Buckeye Education Council's Employee Insurance Benefits Program includes health, dental, drug, and life insurance plans. The health, drug, and dental plans are risk-sharing pools among approximately 28 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the Treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

In fiscal year 2005, the Wauseon Exempted Village School District contributed a total for all four plans of \$1,245,574. Financial information can be obtained from the Crystal Meyer, Insurance Programs Administrator, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council's Workers' Compensation Group Rating Plan

The District participates in a group-rating plan for workers' compensation as established under 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Workers' Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

C. Ohio School Plan

The District participates in the Ohio School Plan (the Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members, which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen-member board consisting of superintendents, treasurers, the president of Harcum-Hyre Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Hyre Insurance Agency serves as the sales and marketing representative, which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Hyre Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

16. RELATED ORGANIZATION

Wauseon Public Library

The Wauseon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Wauseon Exempted Village School District. The District's role is limited to a ministerial function. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District receives property taxes levied specifically to repay the Library's debt issuance and disburses the annual debt service requirements on behalf of the Library. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wauseon Public Library, Maricela DeLeon, who serves as Treasurer, at 117 East Elm Street, Wauseon, Ohio 43567.

17. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...."

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

18. INTERFUND TRANSFERS

The District did not make any interfund transfers during the year ended June 30, 2005.

19. INTERFUND ADVANCES

During the year ended June 30, 2005, the General Fund advanced \$8,566 to Other Nonmajor Governmental Funds. Interfund balances at June 30, 2005, consist of the following individual fund receivables and payables.

	Due From Other Funds	Due To Other Funds
General Fund	\$8,566	
Special Revenue Funds		\$8,566

20. CONTINGENCIES

A. Grants

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the 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 District at June 30, 2005.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

20. CONTINGENCIES – (Continued)

B. Litigation

Currently there is a pending lawsuit in which the District is named as defendant. Management and legal counsel opinion is that the outcome will be favorable therefore no liability has been accrued.

21. RESTATEMENT CHANGE IN REPORTING

In fiscal year 2004, the District had reported scholarship trust funds as special revenue funds. Based on the guidelines that were established by the trusts, these funds meet the requirements for private purpose trust funds. Restated fund balances are as follows:

	Governmental Net Assets	Private Purpose Net Assets
Amount previously stated, at June 30, 2004	\$4,262,226	\$238,839
Change in reporting	(17,602)	17,602
Restated amount at, July 1, 2004	\$4,244,624	\$256,441

This page intentionally left blank.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Program or Award Amount	Receipts
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Nutrition Cluster:				
Food Distribution Program	N/A	10.550		
Special Breakfast Program	045641-05PU-05	10.553		\$11,804
	045641-05PU-04			3,727
Start Smart Breakfast Program	045641-05RE-04			<u>2,250</u>
				17,781
National School Lunch Program	045641-LLP4-05	10.555		<u>188,252</u>
Total U.S. Department of Agriculture- Nutrition Cluster				<u>206,033</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title One- Grants to Local Educational Agencies	045641-C1S1-05	84.010	\$143,218	125,490
	045641-C1S1-04		134,402	<u>8,816</u>
				134,306
<u>Special Education Cluster:</u>				
Title VI-B Special Education	045641-6BSF-05	84.027	345,295	314,344
	045641-6BSF-04		206,667	<u>12,878</u>
				327,222
Early Childhood Development Grant	045641-PGS1-05	84.173	8,452	10,260
	045641-PGS1-04		7,479	<u>973</u>
				11,233
Total Special Education Cluster				<u>338,455</u>
Drug Free Schools Grant	045641-DRS1-05	84.186	7,504	7,300
	045641-DRS1-04		7,504	<u>7,300</u>
				7,300
Title V- Innovative Program Grant	045641-C2S1-05	84.298	11,313	8,497
Title IID - Education Technology Grant	045641-TJS1-05	84.318	3,780	3,112
Title III Part A- Limited English Proficiency	045641-T3S2-04	84.365	7,093	2,165
Title II Part A- Improving Teacher Quality Grant	045641-TRS1-05	84.367	62,606	54,228
	045641-TRS1-04		52,603	<u>10,005</u>
				64,233
Total U.S. Department of Education				<u>558,068</u>
TOTAL FEDERAL AWARDS EXPENDITURES				<u>\$764,101</u>

The accompanying notes are an integral part of this schedule.

<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
\$61,129		\$61,129
	\$11,804	
	3,727	
	<u>2,250</u>	
	17,781	
	188,252	
<u>61,129</u>	<u>206,033</u>	<u>61,129</u>
	120,954	
	<u>17,696</u>	
	138,650	
	320,325	
	<u>23,455</u>	
	343,780	
	10,701	
	<u>1,057</u>	
	11,758	
	<u>355,538</u>	
	7,300	
	<u>554</u>	
	7,854	
	8,497	
	3,516	
	1,625	
	55,969	
	<u>10,995</u>	
	66,964	
	<u>582,644</u>	
<u>\$61,129</u>	<u>\$788,677</u>	<u>\$61,129</u>

This page intentionally left blank.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
Fiscal Year Ended June 30, 2005**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B—CHILD NUTRITION CLUSTER

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Wauseon Exempted Village School District
Fulton County
126 S. Fulton Street
Wauseon, OH 43567-1350

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated February 6, 2006, we reported an other matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated February 6, 2006, we reported another matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 6, 2006



**Auditor of State
Betty Montgomery**

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

Wauseon Exempted Village School District
Fulton County
126 S. Fulton Street
Wauseon, OH 43567-1350

To the Board of Education:

Compliance

We have audited the compliance of Wauseon Exempted Village School District, Fulton County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to each of its major federal programs for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2005. In a separate letter to the District's management dated February 6, 2006, we reported another matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

We intend this report solely for the information and use of the audit committee, management, board of education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

February 6, 2006

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR FISCAL YEAR ENDED JUNE 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster</u> CFDA # 10.550,10.553,10.555
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 2, 2006**