

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

AUDIT REPORT

For the Year Ended June 30, 2005



**Auditor of State
Betty Montgomery**

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

We have reviewed the *Report of Independent Accountants* of the Wooster City School District, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period July 1, 2004 through June 30, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

November 28, 2006

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WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY, OHIO
AUDIT REPORT
For the Year Ended June 30, 2005

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

Rockefeller Building
614 West Superior Avenue Suite # 1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Board of Education
Wooster City School District
Wayne County
144 North Market Street
Wooster, OH 44691

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Wooster City School District, Wayne 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Wooster City School District, Wayne County, Ohio, as of June 30, 2005, and the respective changes in financial position and cash flows thereof and the budgetary comparison for the General Fund and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 2 to the financial statements, the District implemented Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2004-2, *Recognition of Pension and Other Postemployment Benefit Expenditures/Expenses and Liabilities by Cost-Sharing Employers* and GASB Statement No. 40, *Deposits and Investment Risk Disclosures*.

The management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 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, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Charles E. Harris & Associates, Inc.
July 21, 2006

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

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

Financial Highlights

Key Financial Highlights for 2005 are as follows:

- ❑ General Revenues accounted for \$38.0 million in revenue or 78.1% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for approximately \$10.6 million or 21.9% of total revenues of \$48.6 million.
- ❑ Total program expenses were \$45.0 million, \$41.4 million in Governmental Activities, and \$3.6 million in Business Type Activities.
- ❑ In total, net assets increased \$3.6 million. Net assets of governmental activities increased \$1.9 million, which represents a 10.2% increase from 2004. Net assets of business-type activities increased 1.7 million or 76.0% from 2004.
- ❑ Outstanding debt decreased from \$26.1 million to \$25.7 million through principal payments.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 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 the accounting used by most private-sector companies. This basis

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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
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of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- ❑ **Governmental Activities** - Most of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.
- ❑ **Business-Type Activities** - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The School District food service, uniform supplies, recreation center and costs for outside entities are reported as business activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the debt service fund.

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

Wooster City School District
Management's Discussion and Analysis
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Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the debt service fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation.

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

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

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

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 27.

The School District as a Whole

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

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Table 1 provides a summary of the School District's net assets for 2005 compared to 2004:

(Table 1)
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Assets						
Current and Other Assets	\$ 41,171,744	\$ 35,851,402	\$ 2,490,278	\$ 642,405	\$ 43,662,022	\$ 36,493,807
Capital Assets	42,762,115	44,200,640	2,011,168	2,075,514	44,773,283	46,276,154
Total Assets	83,933,859	80,052,042	4,501,446	2,717,919	88,435,305	82,769,961
Liabilities						
Long-Term Liabilities	(30,996,107)	(31,550,904)	(234,636)	(179,367)	(31,230,743)	(31,730,271)
Other Liabilities	(32,011,029)	(29,518,634)	(310,894)	(290,804)	(32,321,923)	(29,809,438)
Total Liabilities	(63,007,136)	(61,069,538)	(545,530)	(470,171)	(63,552,666)	(61,539,709)
Net Assets						
Invested in Capital						
Assets Net of Debt	17,085,593	20,574,061	2,011,168	2,075,514	19,096,761	22,649,575
Restricted	4,516,417	4,725,434	1,890,823	19,550	6,407,240	4,744,984
Unrestricted (Deficit)	(675,287)	(6,316,991)	53,925	152,684	(621,362)	(6,164,307)
Total Net Assets	\$ 20,926,723	\$ 18,982,504	\$ 3,955,916	\$ 2,247,748	\$ 24,882,639	\$ 21,230,252

Total assets increased by \$5.7 million comprised by a \$3.9 million increase in the governmental activities and a \$1.8 million increase in the business-type activities. A decrease of approximately \$1.5 million in total capital assets reflects depreciation exceeding additional purchases. Total liabilities increased by approximately \$2.0 with governmental liabilities comprising most of that amount. The majority of this amount is an increase in deferred revenue.

The net assets of the School District governmental activities increased approximately \$1.9 million or 10.2%. This increase can be attributed to an increase in deferred property tax revenue and a decrease in wages and pension benefits.

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Table 2 shows the changes in net assets for fiscal year 2005 and 2004.

(Table 2)
Governmental and Business-Type Activities

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues						
<i>Program Revenues:</i>						
Charges for Services	\$ 1,554,496	\$ 562,314	\$ 4,264,592	\$ 2,132,793	\$ 5,819,088	\$ 2,695,107
Operating Grants	3,917,769	3,075,904	933,318	647,714	4,851,087	3,723,618
Capital Grants and Contributions	0	273,195	0	0	0	273,195
<i>General Revenue:</i>						
Property Taxes	28,081,941	29,452,722	0	0	28,081,941	29,452,722
Grants and Entitlements	9,510,279	8,313,462	1,000	0	9,511,279	8,313,462
Other Revenue	279,771	361,727	99,293	141,419	379,064	503,146
Total Revenues	43,344,256	42,039,324	5,298,203	2,921,926	48,642,459	44,961,250
Program Expenses						
Instruction	23,946,784	26,240,805	0	0	23,946,784	26,240,805
Support Services	13,763,408	15,762,784	0	0	13,763,408	15,762,784
Operation of Non-Instructional	631,171	561,463	0	0	631,171	561,463
Extracurricular Activities	601,646	679,801	0	0	601,646	679,801
Interest and Fiscal Charges	2,457,028	2,211,787	0	0	2,457,028	2,211,787
Enterprise Funds	0	0	3,590,035	3,334,419	3,590,035	3,334,419
Total Expenses	41,400,037	45,456,640	3,590,035	3,334,419	44,990,072	48,791,059
Increase (Decrease) in Net Assets before Transfers	1,944,219	(3,417,316)	1,708,168	(412,493)	3,652,387	(3,829,809)
Net Transfers	0	(132,000)	0	132,000	0	0
Increase (Decrease) in Net Assets	\$ 1,944,219	\$ (3,549,316)	\$ 1,708,168	\$ (280,493)	\$ 3,652,387	\$ (3,829,809)

Wooster City School District
Management's Discussion and Analysis
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Governmental Activities

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental funds had total revenues of \$43.3 million and expenditures of \$41.4 million.

(Table 3)
Governmental Activities

	2005		2004	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 23,946,784	\$ 20,032,633	\$ 26,240,805	\$ 23,898,191
Support Services:				
Pupil and Instructional Staff	3,624,547	3,243,867	4,637,475	4,148,809
Board of Education, Administration, Fiscal and Business	3,796,428	3,561,890	4,373,530	4,219,703
Operation and Maintenance of Plant and Central Pupil Transportation	4,741,248	4,649,475	5,075,220	4,699,600
Operation of Non-Instructional	1,691,541	1,433,224	1,676,559	1,569,428
Extracurricular Activities	540,815	257,474	561,463	278,528
Interest and Fiscal Charges	601,646	292,181	679,801	519,181
	<u>2,457,028</u>	<u>2,457,028</u>	<u>2,211,787</u>	<u>2,211,787</u>
Total Expenses	<u>\$ 41,400,037</u>	<u>\$ 35,927,772</u>	<u>\$ 45,456,640</u>	<u>\$ 41,545,227</u>

Instruction and Student Support Services comprise 66.6% of governmental program expenses. Interest/Fiscal charges were 5.9%. Interest expense was attributable to the outstanding notes, and fiscal expenses include payments to the County Auditors for administrative fees. Pupil transportation and the operation/maintenance of facilities accounts for 14.3% of governmental program expenses.

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

Business-Type Activities

Business-type activities include the recreation center, the food service operations, the sale of uniform school supplies and community activities. These programs had revenues of \$5.3 million and expenses of \$3.6 million for fiscal year 2005. Business activities receive no support from tax revenues.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Financial Analysis of the Government's Funds

Governmental Funds

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

The School District's governmental funds (as presented on the balance sheet on pages 16-17) reported a total fund balance of \$5.8 million, which is \$1.7 million over last year's balance of \$4.1 million. The most significant changes within the School District's major funds was reported in the General fund with an increase in fund balance of \$1.8 million. The Debt Service fund had a decrease in fund balance of \$.4 million in 2005.

Major Funds

The general fund is the main operating fund of the School District. At the end of 2005, the fund balance in the general fund was \$1.4 million which is an increase of \$1.8 million from 2004, which is primarily due to an increase in intergovernmental revenue and investment income and an overall decrease in expenditures.

The debt service fund is the School District fund that accumulates tax revenues to pay general obligation bonds. At the end of 2005, the fund balance in the debt service fund was \$2.7 million, which is a decrease of \$.4 million from 2005.

General Fund Budgeting Highlights

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

During the course of fiscal year 2005, the School District modified its General fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

For the general fund, there was difference of \$1.2 million between the budget basis revenue of \$36.2 million, and the original budget estimates of \$34.9 which is made up of larger receipts in taxes and intergovernmental revenue than expected.

Original budget and final appropriations of \$34.7 million were an insignificant \$.03 million above the actual expenditures.

Wooster City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2005
Unaudited

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2005, the School District had \$44.8 million invested in land, buildings, equipment and textbooks. A total of \$42.8 million of this was for governmental activities with the remainder attributable to business-type activities. Table 4 shows fiscal year 2005 balances compared with 2004.

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

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 2,609,634	\$ 5,492,097	\$ 0	\$ 0	\$ 2,609,634	\$ 5,492,097
Land Improvements	15,459	0	0	0	15,459	0
Buildings and Improvements	34,320,241	32,785,323	1,994,499	2,045,207	36,314,740	34,830,530
Furniture and Equipment	1,164,869	1,017,446	16,669	30,307	1,181,538	1,047,753
Vehicles	495,527	553,563	0	0	495,527	553,563
Textbooks	0	105,470	0	0	0	105,470
Ice Arena	4,156,385	4,246,741	0	0	4,156,385	4,246,741
Totals	\$ 42,762,115	\$ 44,200,640	\$ 2,011,168	\$ 2,075,514	\$ 44,773,283	\$ 46,276,154

The \$1.5 million decrease in capital assets was attributable to depreciation expense exceeding additional purchases. Additional details of the capital assets can be found in note 9 to the basic financial statements.

Debt

At June 30, 2005, the School District had \$26.1 million in bonds outstanding with \$1.2 million due within one year. During fiscal year 2005, \$1.2 million of general obligation bonds were retired and \$.5 million of accretion was added to the capital appreciation bonds. Table 5 summarizes bonds outstanding.

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(Table 5)
Outstanding Debt, at June 30

	Governmental Activities	
	2005	2004
General Obligation Bonds:		
1993 Improvement Bonds	\$ 3,607,333	\$ 4,076,748
1997 Bond Refunding	15,300,000	15,885,000
1997 Capital Appreciation Bonds	3,664,831	3,664,831
Accretion on Capital Appreciation Bonds (1997)	3,104,358	2,572,593
Energy Conservation Bond	445,010	580,355
Totals	\$ 26,121,532	\$ 26,779,527

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

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

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

Current Issues

The Wooster City School District continues to receive strong support from the residents of the School District. As the preceding information shows, the School District relies heavily on its local property taxpayers. The residents of the District passed an operating levy in March 2004. During the 2004-2005 fiscal year, the District implemented a reduction in expenditures by 3.5 million dollars which included the closure of an elementary building and the reduction of approximately 90 staff members. The Board of Education anticipates that proceeds from this levy will sustain the District through fiscal year 2009. Additional reductions in expenditures and/or additional revenue will need to be considered in anticipation of a deficit in 2010.

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

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

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

From a State funding perspective, the Ohio Supreme Court found the State of Ohio in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable". Since 1997, the State has directed its tax revenue growth toward school Districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court. The Governor appointed a Task Force to address the issues raised in the DeRolph Court Case, and recommendations were released in February 2005. The Ohio Legislature continues to review these recommendations and action may be taken in the future.

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

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

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

Contacting the School District's Financial Management

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

Wooster City School District
Statement of Net Assets
June 30, 2005

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$ 9,482,705	\$ 769,196	\$ 10,251,901
Receivables:			
Taxes	30,348,400	0	30,348,400
Accounts	846,000	2,954	848,954
Intergovernmental	160,726	1,988,215	2,148,941
Prepays	18,913	0	18,913
Inventory Held For Resale	0	44,913	44,913
Internal Balances	315,000	(315,000)	0
Nondepreciable Capital Assets	2,609,634	0	2,609,634
Depreciable Capital Assets (Net)	40,152,481	2,011,168	42,163,649
<i>Total Assets</i>	<u>83,933,859</u>	<u>4,501,446</u>	<u>88,435,305</u>
Liabilities			
Accounts Payable	176,632	205	176,837
Accrued Wages and Benefits	3,049,274	249,270	3,298,544
Matured Compensated Absences	268,324	0	268,324
Intergovernmental Payable	887,049	61,419	948,468
Unearned Revenue	26,695,391	0	26,695,391
Accrued Interest Payable	213,441	0	213,441
Claims Payable	720,918	0	720,918
Long Term Liabilities:			
Due Within One Year	1,651,534	16,992	1,668,526
Due Within More Than One Year	29,344,573	217,644	29,562,217
<i>Total Liabilities</i>	<u>63,007,136</u>	<u>545,530</u>	<u>63,552,666</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,744,941	2,011,168	21,756,109
Restricted for:			
Capital Projects	1,240,873	0	1,240,873
Debt Service	2,886,276	0	2,886,276
Other Purposes	389,268	1,890,823	2,280,091
Unrestricted	(3,334,635)	53,925	(3,280,710)
<i>Total Net Assets</i>	<u>\$ 20,926,723</u>	<u>\$ 3,955,916</u>	<u>\$ 24,882,639</u>

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2005

	Program Revenues		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities			
Current:			
Instruction:			
Regular	\$ 17,537,752	\$ 1,142,638	\$ 955,899
Special	4,154,070	4,212	1,807,784
Vocational	352,334	0	3,618
Other	1,902,628	0	0
Support services:			
Pupils	1,625,713	5,062	57,063
Instructional Staff	1,998,834	3,555	315,000
Board of Education	98,401	378	0
Administration	2,626,279	2,712	99,286
Fiscal	832,013	66,331	65,831
Business	239,735	0	0
Operation and Maintenance of Plant	4,212,243	8,625	50,026
Pupil Transportation	1,691,541	7,990	250,327
Central	438,649	0	33,122
Operation of Non-Instructional Services	540,815	3,528	279,813
Extracurricular Activities	601,646	309,465	0
Depreciation Expense not Included in Other Functions (See Note 9)	90,356	0	0
Interest and Fiscal Charges	2,457,028	0	0
<i>Total Governmental Activities</i>	<u>41,400,037</u>	<u>1,554,496</u>	<u>3,917,769</u>
Business-Type Activities			
Food Service	1,463,678	718,216	717,415
Uniform School Supplies	5,657	6,608	0
Education Costs for Outside Entities	1,808,310	3,365,565	215,903
Recreation Center	312,390	174,203	0
<i>Total Business-Type Activities</i>	<u>3,590,035</u>	<u>4,264,592</u>	<u>933,318</u>
<i>Totals</i>	<u>\$ 44,990,072</u>	<u>\$ 5,819,088</u>	<u>\$ 4,851,087</u>

General Revenues

Property Taxes Levied for:

General Purposes

Debt Service

Capital Outlay

Grants and Entitlements not Restricted
to Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (15,439,215)	\$ 0	\$ (15,439,215)
(2,342,074)	0	(2,342,074)
(348,716)	0	(348,716)
(1,902,628)	0	(1,902,628)
(1,563,588)	0	(1,563,588)
(1,680,279)	0	(1,680,279)
(98,023)	0	(98,023)
(2,524,281)	0	(2,524,281)
(699,851)	0	(699,851)
(239,735)	0	(239,735)
(4,153,592)	0	(4,153,592)
(1,433,224)	0	(1,433,224)
(405,527)	0	(405,527)
(257,474)	0	(257,474)
(292,181)	0	(292,181)
(90,356)	0	(90,356)
(2,457,028)	0	(2,457,028)
<u>(35,927,772)</u>	<u>0</u>	<u>(35,927,772)</u>
0	(28,047)	(28,047)
0	951	951
0	1,773,158	1,773,158
0	(138,187)	(138,187)
<u>0</u>	<u>1,607,875</u>	<u>1,607,875</u>
\$ (35,927,772)	\$ 1,607,875	\$ (34,319,897)
25,476,983	0	25,476,983
2,078,915	0	2,078,915
526,043	0	526,043
9,510,279	1,000	9,511,279
208,742	11,392	220,134
71,029	87,901	158,930
<u>37,871,991</u>	<u>100,293</u>	<u>37,972,284</u>
1,944,219	1,708,168	3,652,387
<u>18,982,504</u>	<u>2,247,748</u>	<u>21,230,252</u>
\$ <u>20,926,723</u>	\$ <u>3,955,916</u>	\$ <u>24,882,639</u>

Wooster City School District

Balance Sheet

Governmental Funds

June 30, 2005

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 2,418,085	\$ 2,562,084	\$ 1,925,457	\$ 6,905,626
Cash and Cash Equivalents:				
Restricted Cash	196,951	0	0	196,951
Receivables:				
Taxes	27,620,556	2,177,218	550,626	30,348,400
Accounts	175,000	0	0	175,000
Interfund	386,000	0	0	386,000
Intergovernmental	42,699	0	118,027	160,726
Prepays	18,913	0	0	18,913
<i>Total Assets</i>	<u>\$ 30,858,204</u>	<u>\$ 4,739,302</u>	<u>\$ 2,594,110</u>	<u>\$ 38,191,616</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 144,682	\$ 0	\$ 31,950	\$ 176,632
Accrued Wages and Benefits	2,834,016	0	215,258	3,049,274
Matured Compensated Absences	268,324	0	0	268,324
Interfund Payable	0	0	71,000	71,000
Intergovernmental Payable	839,938	0	47,111	887,049
Deferred Revenue	25,420,556	1,987,218	507,636	27,915,410
<i>Total Liabilities</i>	29,507,516	1,987,218	872,955	32,367,689
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	249,667	0	469,505	719,172
Reserved for Tax Revenue Unavailable for Appropriation	2,200,000	190,000	45,000	2,435,000
Reserved for Capital Improvements	196,951	0	0	196,951
Undesignated, Reported in:				
General Fund	(1,295,930)	0	0	(1,295,930)
Special Revenue Funds	0	0	424,027	424,027
Debt Service Fund	0	2,562,084	0	2,562,084
Capital Projects Funds	0	0	782,623	782,623
<i>Total Fund Balances</i>	<u>1,350,688</u>	<u>2,752,084</u>	<u>1,721,155</u>	<u>5,823,927</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 30,858,204</u>	<u>\$ 4,739,302</u>	<u>\$ 2,594,110</u>	<u>\$ 38,191,616</u>

See accompanying notes to the basic financial statements.

Wooster City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets Governmental Activities
 June 30, 2005*

Total Governmental Fund Balances	\$	5,823,927
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		42,762,115
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		
Grants	\$ 2,010	
Delinquent Property Taxes	<u>1,889,009</u>	1,891,019
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		1,659,210
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.		
General Obligation Bonds	(26,121,532)	
Compensated Absences	(4,874,575)	
Accrued Interest	<u>(213,441)</u>	<u>(31,209,548)</u>
Net Assets of Governmental Activities	\$	<u><u>20,926,723</u></u>

See accompanying notes to the basic financial statements.

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

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 24,813,217	\$ 2,040,539	\$ 516,276	\$ 27,370,032
Intergovernmental	9,922,233	220,582	3,550,848	13,693,663
Investment Income	145,190	42,386	21,166	208,742
Tuition and Fees	1,054,816	0	76,000	1,130,816
Extracurricular Activities	139,195	0	218,420	357,615
Rentals	66,065	0	0	66,065
Gifts and Donations	0	0	53,760	53,760
Miscellaneous	6,880	0	10,389	17,269
<i>Total Revenues</i>	36,147,596	2,303,507	4,446,859	42,897,962
Expenditures:				
Current:				
Instruction:				
Regular	15,493,344	0	989,689	16,483,033
Special	2,816,821	0	1,306,813	4,123,634
Vocational	371,117	0	4,837	375,954
Other	1,902,628	0	0	1,902,628
Support Services:				
Pupils	1,542,343	0	115,996	1,658,339
Instructional Staff	1,686,425	0	368,882	2,055,307
Board of Education	97,044	0	1,357	98,401
Administration	2,654,179	0	107,962	2,762,141
Fiscal	769,617	0	62,411	832,028
Business	237,127	0	0	237,127
Operation and Maintenance of Plant	4,146,907	0	173,798	4,320,705
Pupil Transportation	1,547,970	0	94,766	1,642,736
Central	418,227	0	48,951	467,178
Operation of Non-Instructional Services	147,246	0	386,900	534,146
Extracurricular Activities	389,404	0	151,366	540,770
Capital outlay	0	0	229,861	229,861
Debt Service:				
Principal Retirement	0	1,189,760	0	1,189,760
Interest and Fiscal Charges	0	1,711,822	0	1,711,822
<i>Total Expenditures</i>	34,220,399	2,901,582	4,043,589	41,165,570
<i>Excess of Revenues Over (Under) Expenditures</i>	1,927,197	(598,075)	403,270	1,732,392
Other Financing Sources (Uses):				
Proceeds From Sales of Capital Assets	2,518	0	0	2,518
Transfers In	0	160,500	0	160,500
Transfers Out	(160,500)	0	0	(160,500)
<i>Total Financing Sources and (Uses)</i>	(157,982)	160,500	0	2,518
<i>Net Change in Fund Balance</i>	1,769,215	(437,575)	403,270	1,734,910
<i>Fund Balance (Deficit) at Beginning of Year</i> <i>(Restated, See Note 3)</i>	(418,527)	3,189,659	1,317,885	4,089,017
<i>Fund Balance (Deficit) at End of Year</i>	\$ 1,350,688	\$ 2,752,084	\$ 1,721,155	\$ 5,823,927

See accompanying notes to the basic financial statements.

Wooster City School District
Reconciliation of the Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$	1,734,910
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures, However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 383,464	
Current Year Depreciation	<u>(1,821,368)</u>	(1,437,904)
Net effect of transactions involving disposal of capital assets are not reflected in the funds.		(621)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Grants	(265,616)	
Delinquent Property Taxes	<u>711,909</u>	446,293
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Bond Principal		1,189,760
Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.		
Bond Accretion	(531,765)	
Accrued Interest	(213,441)	
Compensated Absences	<u>(103,197)</u>	(848,403)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the district-wide statement of activities. The net revenue (expense) of internal service funds is reported with governmental activities.		
		<u>860,184</u>
Change in Net Assets of Governmental Activities	\$	<u><u>1,944,219</u></u>

See accompanying notes to the basic financial statements.

Wooster City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 24,849,700	\$ 24,849,700	\$ 25,307,217	\$ 457,517
Intergovernmental	9,067,291	9,067,291	9,764,428	697,137
Investment Income	467,822	467,822	523,169	55,347
Tuition and Fees	353,451	353,451	368,937	15,486
Extracurricular Activities	129,257	129,257	139,195	9,938
Rentals	66,065	66,065	66,065	0
Miscellaneous	0	0	7,559	7,559
<i>Total Revenues</i>	<u>34,933,586</u>	<u>34,933,586</u>	<u>36,176,570</u>	<u>1,242,984</u>
Expenditures:				
Current				
Instruction	21,041,650	21,041,650	21,041,050	600
Support Services				
Pupils	1,686,889	1,686,889	1,686,527	362
Instructional Staff	1,682,457	1,682,457	1,681,977	480
Board of Education	150,315	150,315	149,909	406
Administration	2,583,930	2,583,930	2,583,230	700
Fiscal	781,374	781,374	781,051	323
Business	222,284	222,284	222,215	69
Operation and Maintenance of Plant	4,053,664	4,053,664	4,045,316	8,348
Pupil Transportation	1,540,537	1,540,537	1,515,075	25,462
Central	437,525	437,525	437,342	183
Operation of Non-Instructional Services	155,875	155,875	155,871	4
Extracurricular Activities	386,650	386,650	386,453	197
<i>Total Expenditures</i>	<u>34,723,150</u>	<u>34,723,150</u>	<u>34,686,016</u>	<u>37,134</u>
Excess of Revenues Over (Under) Expenditures	210,436	210,436	1,490,554	1,280,118
Other Financing Sources (Uses):				
Proceeds from Sale of Assets	2,338	2,518	2,518	0
Advances In	456,500	456,500	456,500	0
Advances Out	(389,450)	(389,450)	(389,450)	0
Transfers Out	(160,500)	(160,500)	(160,500)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(91,112)</u>	<u>(90,932)</u>	<u>(90,932)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	119,324	119,504	1,399,622	1,280,118
<i>Fund Balance (Deficit) at Beginning of Year</i>	565,371	565,371	565,371	0
Prior Year Encumbrances Appropriated	264,678	264,678	264,678	0
<i>Fund Balance (Deficit) at End of Year</i>	<u>\$ 949,373</u>	<u>\$ 949,553</u>	<u>\$ 2,229,671</u>	<u>\$ 1,280,118</u>

See accompanying notes to the basic financial statements.

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Wooster City School District
Statement of Net Assets
Proprietary Funds
June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Costs for Outside Entities	NonMajor	Total	
Assets				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	\$ 498,628	\$ 270,568	\$ 769,196	\$ 2,380,128
Accounts Receivable	0	2,954	2,954	671,000
Intergovernmental Receivable	1,983,361	4,854	1,988,215	0
Inventory Held For Resale	0	44,913	44,913	0
<i>Total Current Assets</i>	2,481,989	323,289	2,805,278	3,051,128
Non Current Assets:				
Depreciable Capital Assets (Net)	0	2,011,168	2,011,168	0
<i>Total Assets</i>	2,481,989	2,334,457	4,816,446	3,051,128
Liabilities				
Current Liabilities:				
Accounts Payable	205	0	205	0
Accrued Wages and Benefits	176,983	72,287	249,270	0
Interfund Payable	201,000	114,000	315,000	0
Intergovernmental Payable	29,471	31,948	61,419	0
Deferred Revenue	0	0	0	671,000
Claims Payable	0	0	0	720,918
<i>Total Current Liabilities</i>	407,659	218,235	625,894	1,391,918
Long Term Liabilities:				
Compensated Absences	183,507	51,129	234,636	0
<i>Total Liabilities</i>	591,166	269,364	860,530	1,391,918
Net Assets				
Invested in Capital Assets, Net of Related Debt	0	2,011,168	2,011,168	0
Restricted	1,890,823	0	1,890,823	0
Unrestricted	0	53,925	53,925	1,659,210
<i>Total Net Assets</i>	\$ 1,890,823	\$ 2,065,093	\$ 3,955,916	\$ 1,659,210

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Costs for Outside Entities	NonMajor	Total	
Operating Revenues:				
Tuition	\$ 3,365,565	\$ 0	\$ 3,365,565	\$ 0
Sales	0	174,203	174,203	0
Charges for Services	0	724,824	724,824	6,548,041
Other Operating Revenues	87,901	0	87,901	0
<i>Total Operating Revenues</i>	<u>3,453,466</u>	<u>899,027</u>	<u>4,352,493</u>	<u>6,548,041</u>
Operating Expenses:				
Salaries	1,031,636	550,294	1,581,930	0
Fringe Benefits	630,648	288,900	919,548	0
Purchased Services	119,554	867,336	986,890	427,668
Materials and Supplies	26,472	10,849	37,321	0
Claims	0	0	0	5,289,059
Depreciation	0	64,346	64,346	0
<i>Total Operating Expenses</i>	<u>1,808,310</u>	<u>1,781,725</u>	<u>3,590,035</u>	<u>5,716,727</u>
Operating Income (Loss)	<u>1,645,156</u>	<u>(882,698)</u>	<u>762,458</u>	<u>831,314</u>
Non-Operating Revenues (Expenses):				
Federal Donated Commodities	0	80,299	80,299	0
Operating Grants	215,903	637,116	853,019	0
Contributions and Donations	1,000	0	1,000	0
Interest	9,214	2,178	11,392	28,870
<i>Total Non-Operating Revenues (Expenses)</i>	<u>226,117</u>	<u>719,593</u>	<u>945,710</u>	<u>28,870</u>
<i>Change in Net Assets</i>	<u>1,871,273</u>	<u>(163,105)</u>	<u>1,708,168</u>	<u>860,184</u>
<i>Net Assets (Deficit) Beginning of Year</i>	<u>19,550</u>	<u>2,228,198</u>	<u>2,247,748</u>	<u>799,026</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$ 1,890,823</u>	<u>\$ 2,065,093</u>	<u>\$ 3,955,916</u>	<u>\$ 1,659,210</u>

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2005

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Costs for Outside Entities	NonMajor	Total	
Cash Flows From Operating Activities:				
Cash Received from Customers	\$ 3,365,565	\$ 896,329	\$ 4,261,894	\$ 5,891,602
Other Cash Receipts	87,901	0	87,901	0
Cash Paid for Goods and Services	(1,811,673)	(846,146)	(2,657,819)	243,332
Cash Paid to Employees	82,989	(796,071)	(713,082)	0
Cash Paid for Claims	0	0	0	(5,150,956)
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>1,724,782</u>	<u>(745,888)</u>	<u>978,894</u>	<u>983,978</u>
Cash Flows From Non-Capital Financing Activities:				
Advances to Other Funds	(221,000)	(72,000)	(293,000)	0
Advances from Other Funds	201,000	114,000	315,000	0
Contributions and Donations	1,000	0	1,000	0
Operating Grants	(1,543,517)	715,569	(827,948)	0
<i>Net Cash Provided By (Used For) Non-Capital Financing Activities</i>	<u>(1,562,517)</u>	<u>757,569</u>	<u>(804,948)</u>	<u>0</u>
Cash Flows From Investing Activities:				
Interest on Investments	9,214	2,178	11,392	28,870
<i>Net Cash Provided By (Used For) Investing Activities</i>	<u>9,214</u>	<u>2,178</u>	<u>11,392</u>	<u>28,870</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	171,479	13,859	185,338	1,012,848
<i>Cash and Cash Equivalents at Beginning of Year</i>	327,149	256,709	583,858	1,367,280
<i>Cash and Cash Equivalents at End of Year</i>	<u>\$ 498,628</u>	<u>\$ 270,568</u>	<u>\$ 769,196</u>	<u>\$ 2,380,128</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:				
Operating Income (Loss)	\$ 1,645,156	\$ (882,698)	\$ 762,458	\$ 831,314
Adjustments:				
Depreciation	0	64,346	64,346	0
Federal Donated Commodities	0	80,299	80,299	0
(Increase) Decrease Assets				
Accounts Receivable	0	(2,698)	(2,698)	(656,439)
Inventory	0	(870)	(870)	0
Increase (Decrease) in Liabilities				
Accounts Payable	(3,363)	(1,354)	(4,717)	0
Accrued Wages and Benefits	16,163	3,359	19,522	0
Compensated Absences Payable	64,942	(9,673)	55,269	0
Due to Other Governments	1,884	3,401	5,285	0
Deferred Revenue	0	0	0	671,000
Claims Payable	0	0	0	138,103
<i>Total Adjustments</i>	<u>79,626</u>	<u>136,810</u>	<u>216,436</u>	<u>152,664</u>
<i>Net Cash Provided By (Used For) Operating Activities</i>	<u>\$ 1,724,782</u>	<u>\$ (745,888)</u>	<u>\$ 978,894</u>	<u>\$ 983,978</u>

Noncash items:

The Food Service Fund received \$80,299 in Federally donated commodities.

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2005

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 652	\$ 103,815
Liabilities		
Undistributed Monies	\$ 602	\$ 0
Due to Students	0	103,815
<i>Total Liabilities</i>	602	\$ 103,815
Net Assets		
Held in Trust for Scholarships	50	
<i>Total Net Assets</i>	\$ 50	

See accompanying notes to the basic financial statements.

Wooster City School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2005

	Private Purpose Trust
	Scholarship
Additions	
Interest	\$ 1,525
Reductions	
Payments in Accordance with Trust Agreements	(1,525)
<i>Change in Net Assets</i>	0
<i>Net Assets Beginning of Year</i>	50
<i>Net Assets End of Year</i>	\$ 50

See accompanying notes to the basic financial statements.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 1 - Description of the School District

The Wooster City School District (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally elected five member Board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The Board controls the School District's thirteen instructional/support facilities staffed by non-certificated personnel, certificated full time teaching personnel and administrative employees to provide services to students and other community members. In 2005, the School District had 337 certificated staff, 31 administrative staff and 190 full and part-time support staff.

Reporting Entity

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

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

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

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

City of Wooster

The Wayne County Public Library

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued before November 30, 1989, to its governmental and business-type activities and enterprise funds provided they do not conflict with or contradict GASB pronouncements. The School District has elected not to follow FASB guidance for business-type activities and enterprise funds issued after November 30, 1989. For the year ended June 30, 2005, the School District has implemented

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

GASB Statement No. 40 "*Deposit and Investment Risk Disclosures*" and GASB Interpretation 2004-02 "Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers." The most significant of the School District's accounting policies are described below.

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

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

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

Costs for Outside Entities Fund This fund accounts for the financial transactions related to the entities outside the School District.

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

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

C. Measurement Focus

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. (See Note 7) Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 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 also been reported as deferred revenue.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

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

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAROhio) during fiscal year 2005. STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2005. Certificates of deposit and repurchase agreements are reported at cost.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest. Interest revenue credited to the General Fund during fiscal year 2005 amounted to \$145,190 which includes \$87,488 assigned from other School District funds.

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

F. Inventory

Within the basic financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventories of the general fund were not significant at year end. Inventories of the food service enterprise fund consist of donated and purchased food.

G. Restricted Assets

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$1,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land	N/A	N/A
Buildings and Improvements	10 - 40 Years	10 - 40 Years
Furniture and Equipment	5 - 20 Years	20 Years
Vehicles	13 Years	N/A
Textbooks	5 Years	N/A
Ice Arena	50 Years	N/A

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. Compensated Absences

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

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current fiscal year. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements when due.

L. Net Assets

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

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

M. Fund Balance Reserves

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

N. Operating Revenues and Expenses

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

O. Contributions of Capital

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

P. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds.

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

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

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2005.

R. Estimates

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

S. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Board. The legal level of budgetary control has been established by the Board of Education at the function level for certain funds within the general fund and at the fund level for other funds. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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

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

Note 3 – Restatement of Fund Balance/Net Assets

Based on guidance issued in GASB Technical Bulletin No. 2004-2 “Recognition of Pension and Other Postemployment Benefit Expenditures/Expense and Liabilities by Cost-Sharing Employers”, it was determined that unpaid pension expenditures due at year-end should be recorded as a fund liability on the balance sheet.

As a result, fund balances have been restated as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Balance Sheet - Governmental Funds</u>				
Fund Balance June 30, 2004	\$ (113,568)	\$ 3,189,659	\$ 1,338,129	\$ 4,414,220
Addition of intergovernmental payables	<u>(304,959)</u>	<u>0</u>	<u>(20,244)</u>	<u>(325,203)</u>
Restated Fund Balance June 30, 2004	<u>\$ (418,527)</u>	<u>\$ 3,189,659</u>	<u>\$ 1,317,885</u>	<u>\$ 4,089,017</u>

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 4 - Fund Deficits

Fund balances at June 30, 2005 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
<i>Governmental Activities:</i>	
NonMajor Funds:	
Title I	\$ 31,060
Miscellaneous Federal Grants	206
<i>Business-Type Activities:</i>	
NonMajor Funds:	
Food Service	97,681

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

Note 5 - Budgetary Basis of Accounting

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

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ 1,769,215
Net Adjustment for Revenue Accruals	161,250
Advance In	456,500
Advance Out	(389,450)
Net Adjustment for Expenditure Accruals	(210,184)
Adjustment for Encumbrances	<u>(387,709)</u>
Budget Basis	<u>\$ 1,399,622</u>

Note 6 - Deposits and Investments

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

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

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

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

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

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

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

Deposits: The carrying value of the School District's deposits totaled \$1,959,218 and the bank balances of the deposits totaled \$2,684,615. Of the bank balance \$100,361 of the bank balance was covered by depository insurance; and \$2,584,254 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Investments

Investments are reported at fair value. As of June 30, 2005, the School District had the following investments:

Rating by Moody	Issue	Fair Value	Investment Maturity less than 1 year	Percentage of Total Investments
Aaa	Federal Home Loan Bank	\$ 499,375	\$ 499,375	5.94%
Aa2	Charter One Money Market	5,005,981	5,005,981	59.62%
AAAm	STAROhio	2,891,794	2,891,794	34.44%
		<u>\$ 8,397,150</u>	<u>\$ 8,397,150</u>	<u>100.00%</u>

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

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

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

Note 7 - Property Taxes

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

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the School District. Property tax revenue received during calendar 2005 for real and public utility property taxes represents collections of calendar 2004 taxes. Property tax revenue received during calendar 2005 for tangible personal property (other than public utility property) is for calendar 2005 taxes.

2005 real property taxes are levied after April 1, 2005, on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2005 public utility property taxes became a lien December 31, 2004, are levied after April 1, 2005 and are collected in 2006 with real property taxes.

2005 tangible personal property taxes are levied after April 1, 2005, on the value as of December 31, 2004. Collections are made in 2005. Tangible personal property assessments are 25% of true value for capital assets and 23% of true value of inventory.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

The property valuation consisted of:

Real Property	
Valuation Year - 2004	
Residential/Agricultural	\$ 348,949,660
Commercial/Industrial	174,780,610
Tangible Personal Property	
Valuation Year - 2005	
General	18,013,610
Public Utilities	<u>115,650,557</u>
Total Valuation	<u><u>\$ 657,394,437</u></u>

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

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

The School District receives property taxes from Wayne County. The County Auditor periodically advance to the School District their portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2005, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2005 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed settlement of personal property tax and the amount of real property taxes available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The late settlement and the amount available as an advance at June 30 are recognized as revenue.

The amount available as an advance at June 30, 2005, was \$2,435,000 and is recognized as revenue. \$2,200,000 was available to the general fund and \$190,000 was available to the bond retirement debt service, and \$45,000 was available to other governmental funds.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 8 - Receivables

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

Intergovernmental receivables consisted of the following:

<i>Governmental Activities:</i>	
General Fund	\$ 42,699
Other Governmental Funds	
Ohio Reads	22,251
Title VI-B	9,948
Title I	41,323
Drug Free	6,034
Title II-A	33,220
Miscellaneous Federal Grants	<u>5,251</u>
	160,726
<i>Business-Type Activities:</i>	
Recreation Center	4,854
Education Costs for Outside Entities	<u>1,983,361</u>
	<u>1,988,215</u>
	<u>\$ 2,148,941</u>

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 9 - Capital Assets

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

	Balance 6/30/04	Additions	Reductions	Reclassification	Balance 6/30/05
Governmental Activities					
<i>Capital Assets, not being depreciated:</i>					
Land	\$ 5,492,097	\$ 0	\$ 0	\$ (2,882,463)	\$ 2,609,634
	<u>5,492,097</u>	<u>0</u>	<u>0</u>	<u>(2,882,463)</u>	<u>2,609,634</u>
<i>Capital Assets, being depreciated:</i>					
Land Improvements	0	0	0	2,882,463	2,882,463
Buildings and Improvements	52,318,849	20,634	0	0	52,339,483
Furniture and Equipment	6,018,304	339,441	(300,545)	0	6,057,200
Vehicles	1,840,166	23,389	0	0	1,863,555
Textbooks	205,647	0	0	0	205,647
Ice Arena	(1) 4,517,809	0	0	0	4,517,809
Total Capital Assets, being depreciated	64,900,775	383,464	(300,545)	2,882,463	67,866,157
Less Accumulated Depreciation:					
Land Improvements	0	(367,106)	0	(2,499,898)	(2,867,004)
Buildings and Improvements	(19,533,526)	(985,614)	0	2,499,898	(18,019,242)
Furniture and Equipment	(5,000,858)	(191,397)	299,924	0	(4,892,331)
Vehicles	(1,286,603)	(81,425)	0	0	(1,368,028)
Textbooks	(100,177)	(105,470)	0	0	(205,647)
Ice Arena	(1) (271,068)	(90,356)	0	0	(361,424)
Total Accumulated Depreciation	(26,192,232)	(1,821,368)	299,924	0	(27,713,676)
Total Capital Assets being depreciated, net	38,708,543	(1,437,904)	(621)	2,882,463	40,152,481
Governmental Activities Capital Assets, Net	<u>\$ 44,200,640</u>	<u>\$ (1,437,904)</u>	<u>\$ (621)</u>	<u>\$ 0</u>	<u>\$ 42,762,115</u>
Business-Type Activities					
<i>Capital Assets, being depreciated:</i>					
Buildings	2,535,383	0	0	0	2,535,383
Furniture and Equipment	577,866	0	(1,899)	0	575,967
Total Capital Assets, being depreciated	3,113,249	0	(1,899)	0	3,111,350
Less Accumulated Depreciation:					
Buildings	(490,176)	(50,708)	0	0	(540,884)
Furniture and Equipment	(547,559)	(13,638)	1,899	0	(559,298)
Total Accumulated Depreciation	(1,037,735)	(64,346)	1,899	0	(1,100,182)
Total Capital Assets being depreciated, net	2,075,514	(64,346)	0	0	2,011,168
Business-Type Activities Capital Assets, Net	<u>\$ 2,075,514</u>	<u>\$ (64,346)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,011,168</u>

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

In 2005, it was determined that the land improvements should be classified separately with the associated accumulated depreciation.

Depreciation expense was charged to governmental functions as follows:

<i>Governmental Activities:</i>	
Instruction:	
Regular	\$ 1,501,802
Special	5,556
Vocational	1,863
Support Services:	
Pupil	15,076
Instructional Staff	2,811
Administration	2,403
Fiscal	6,052
Business	440
Operation and Maintenance of Plant	54,408
Pupil Transportation	72,289
Central	2,186
Operation of Non-Instructional Services	5,250
Extracurricular Activities	60,876
Depreciation Expense Not Included in in Other Functions	(1) <u>90,356</u>
Total Governmental Activities	<u>\$ 1,821,368</u>
 <i>Business-Type Activities:</i>	
Food Service	\$ 7,547
Community Recreation	<u>56,799</u>
Total Business-Type Activities	<u>\$ 64,346</u>

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

Note 10 - Risk Management

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The District insures its buildings and their contents through insurance having a \$5,000 deductible and providing replacement cost for such items. An inventory of all loose equipment is conducted annually.

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

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

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

B. Workers' Compensation

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

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

C. Health Insurance

The District is self-insured for its medical insurance, dental insurance, and prescription drug program. Premiums are paid into the Self-Insurance Fund by all other funds and are available to pay claims, claim reserves and administrative costs of the program. During fiscal year 2005, a total expense of \$5,716,727 was incurred in benefits and administrative costs. An excess coverage insurance policy covers individual claims in excess of 75,000. The liability for unpaid claims cost of \$720,918 reported in the fund at June 30, 2005 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred but not reported claims, be reported. Interfund premiums are based primarily upon the insured funds' claims experience and are reported as quasi-external interfund transactions.

Changes in the fund's claims liability amount in 2004 and 2005 were:

		<u>Balance</u> <u>Beginning of Year</u>	<u>Current Year</u> <u>Claims</u>	<u>Claim</u> <u>Payments</u>	<u>Balance at</u> <u>End of Year</u>
2004	\$	458,500	5,047,396	4,923,081	\$ 582,815
2005	\$	582,815	5,289,059	5,150,956	\$ 720,918

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 11 - Compensated Absences

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

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

Note 12 - Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 10% of their annual covered salaries and the School District is required to contribute at an actuarially determined rate which is currently 14% of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2005, 10.57% of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions to SERS for the fiscal years ended June 30, 2005, 2004 and 2003 were \$796,272, \$814,728 and \$753,528 respectively; 52% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. \$384,600 represents the unpaid contribution for fiscal year 2005, and is recorded as a liability.

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan members may retire after five years of service at age 60; 25 years of service at age 55; or 30 years of service regardless of age. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2005, plan members were required to contribute 10% of their annual covered salaries. The School District was required to contribute 14%; 13% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions to the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003 were \$2,344,006, \$2,780,362, and \$2,692,068 respectively; 82% has been contributed for fiscal year 2005 and 100% for fiscal years 2004 and 2003. Contributions to the DC and Combined Plans for fiscal year 2005 were \$15,421 made by the School District and \$30,122 made by the plan members.

C. Social Security System

Members of the Board of Education have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2005, four members of the Board of Education have elected Social Security. The Board's liability is 6.2% of wages paid.

Note 13 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate; currently 14% of covered payroll. For the fiscal year ended June 30, 2005, the STRS Board allocated employer contributions

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

equal to 1% of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$167,429 during the 2005 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2005, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2005, the health care costs paid by STRS were \$254,780,000 and STRS had 115,395 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For the fiscal year, ended June 30, 2005, employer contributions to fund health care benefits were 3.43% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay has been established at \$27,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled \$266,676.

Health care benefits are financed on a pay-as-you-go basis. 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 year's 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. The number of participants eligible to receive benefits is 58,123.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 14 - Long - Term Obligations

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

	Outstanding 6/30/2004	Additions	Reductions	Outstanding 6/30/2005	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
1993 Improvement 4.3% - 8.4%	\$ 4,076,748	\$ 0	\$ 469,415	\$ 3,607,333	\$ 456,537
1997 Bond Refunding 3.8% - 4.6%	15,885,000	0	585,000	15,300,000	610,000
1997 Capital Appreciation Bonds	3,664,831	0	0	3,664,831	0
Accretion on Capital Appreciation Bonds	2,572,593	531,765	0	3,104,358	0
Total General Obligation Bonds	26,199,172	531,765	1,054,415	25,676,522	1,066,537
Energy Conservation Bond					
Interest rate 4.6%, due 6/1/05	580,355	0	135,345	445,010	141,642
Compensated Absences	4,771,378	725,986	622,789	4,874,575	443,355
Total Governmental Activities Long-Term Liabilities	<u>\$ 31,550,905</u>	<u>\$ 1,257,751</u>	<u>\$ 1,812,549</u>	<u>\$ 30,996,107</u>	<u>\$ 1,651,534</u>
Business-Type Activities:					
Compensated Absences	<u>\$ 179,367</u>	<u>\$ 56,416</u>	<u>\$ 1,147</u>	<u>\$ 234,636</u>	<u>\$ 16,992</u>

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

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

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005 are as follows:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest/ Accretion
2006	\$ 1,066,537	\$ 1,729,455	\$ 0	\$ 0	\$ 1,066,537	\$ 1,729,455
2007	1,080,796	1,753,471	0	0	1,080,796	1,753,471
2008	2,005,000	832,578	0	0	2,005,000	832,578
2009	2,205,000	726,527	0	0	2,205,000	726,527
2010	185,000	663,160	827,756	1,367,244	1,012,756	2,030,404
2011 - 2015	3,440,000	3,027,352	2,837,075	6,452,924	6,277,075	9,480,276
2016 - 2019	8,925,000	761,508	0	0	8,925,000	761,508
Totals	<u>\$ 18,907,333</u>	<u>\$ 9,494,051</u>	<u>\$ 3,664,831</u>	<u>\$ 7,820,168</u>	<u>\$ 22,572,164</u>	<u>\$17,314,219</u>

Fiscal Year Ending June 30,	Energy Conservation Bonds	
	Principal	Interest
2006	\$ 141,642	\$ 18,841
2007	148,234	12,250
2008	155,134	5,352
Totals	<u>\$ 445,010</u>	<u>\$ 36,443</u>

Note 15 - Unearned/Deferred Revenue

Unearned/deferred revenue at June 30, 2005 consisted of the following:

	Statement of Net Assets	Balance Sheet
Property Taxes Receivable	\$ 26,695,391	\$ 27,913,400
Grants Receivable	0	2,010
Unearned/Deferred Revenue	<u>\$ 26,695,391</u>	<u>\$ 27,915,410</u>

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 16 - Interfund Transfers

Transfers for the year ended June 30, 2005 consisted of the following:

	Transfers In	Transfers Out
General Fund	\$ 0	\$ 160,500
Debt Service Fund	160,500	0
	\$ 160,500	\$ 160,500

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

Note 17 - Interfund Balances

Interfund balances at June 30, 2005 consisted of the following:

	Interfund Receivable	Interfund Payable
General Fund	\$ 386,000	\$ 0
Nonmajor Governmental Funds	0	71,000
Education Costs to Outside Entities	0	201,000
Nonmajor Enterprise Funds	0	114,000
	\$ 386,000	\$ 386,000

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2005, all interfund payables outstanding are anticipated to be repaid by fiscal year 2006.

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

Note 18 - Jointly Governed Organization

The Tri-County Computer Services Association (TCCSA) is a jointly governed organization comprised of 21 school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions for member districts. Each of the governments of these districts supports TCCSA based on per pupil charge dependent upon the software package utilized. The TCCSA assembly consists of a superintendent or designated representative from each participating district and a representative from the fiscal agent. TCCSA is governed by a board of directors chosen from the general membership of the TCCSA assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least an assembly member from each county from which participating districts are located. Financial information can be obtained by contacting the Treasurer at the Ashland-Wayne County Education Services Center, which serves as fiscal agent, located at 2534 Burbank Road, Wooster, Ohio, 44691. During the year ended June 30, 2005 the School District paid approximately \$217,917 for basic service charges.

Note 19 - Contingencies

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2005.

Note 20 - Set-Asides

Substitute House Bill 412, as amended, required the School District to “set aside” certain percentages of defined revenues for (1) textbook and instructional materials purchases, and (2) capital and maintenance expenditures. As of April 10, 2001, any money on hand in a School District’s budget reserve set-aside account may at the discretion of the Board be returned to the School District’s general fund or may be left in the account and used by the Board to offset any budget deficit the School District may experience in future years. The amendment places special conditions on any refunds or rebates from the Bureau of Workers’ Compensation. These monies are to be used to offset a budget deficit for school facility construction, renovation or repair, for the textbooks or instructional materials; for purchase of school buses; or for teachers’ professional development. It also required five year budget projections, amended the fiscal watch and fiscal emergency statutes, created a school district solvency fund, and amended “spending reserve” provisions. During the fiscal year June 30, 2005, the reserve activity (cash basis) was as follows:

Wooster City School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2005

	Instructional Materials Reserve	Capital Improvement Reserve	Total
	<u> </u>	<u> </u>	<u> </u>
Set-Aside Cash Balance as of June 30, 2004	\$ 0	\$ 0	\$ 0
Set-Aside Carryover Balance as of June 30, 2004	(548,429)	0	(548,429)
Current Year Set-Aside Requirement	585,897	585,897	1,171,794
Qualifying Disbursements	<u>(358,279)</u>	<u>(388,946)</u>	<u>(747,225)</u>
Total	<u>\$ (320,811)</u>	<u>\$ 196,951</u>	<u>\$ (123,860)</u>
Balance Carried Forward to FY 2006	<u>\$ (320,811)</u>	<u>\$ 196,951</u>	<u>\$ (123,860)</u>
Amount to Restrict for Set-Asides			<u>\$ 196,951</u>
Total Restricted Assets			<u>\$ 196,951</u>

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

Note 21 - State School Funding Decision

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

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

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

WOOSTER CITY SCHOOL DISTRICT
Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005

Federal Grantor/Pass Through Grantor Program Title	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
U. S. DEPARTMENT OF EDUCATION				
(Passed Through Ohio Department Of Education):				
Title I	84.010	CI-SI-04	\$ 49,405	\$ 72,550
Title I	84.010	CI-SI-05	600,820	556,959
Title I-D	84.010	CI-SD-04	64,502	60,253
Title I-D	84.010	CI-SD-05	46,900	40,915
Total Title I			761,627	730,677
IDEA A-B	84.027	6B-SF-04	(3,016) (3)	3,100
Access Grant "Close Gap"	84.027	6B-SD-04P	21,910	25,569
IDEA A-B	84.027	6B-SF-05	913,278	792,463
Access Grant "Close Gap"	84.027	6B-SD-05	15,565	28,227
IDEA A-B	84.027	6B-SA-05	25,012	14,768
Total Title VI-B, IDEA-B and Close the Gap			972,750	864,127
Safe & Drug Free Community Service Grant	84.184c	T4-SI-03	10,290	10,290
Safe & Drug Free Community Service Grant	84.184c	T4-SI-05	1,250	-
Total Safe & Drug Free Community Service Grant			11,540	10,290
Drug Free Schools	84.186	DR-SI-04	33	-
Drug Free Schools	84.186	DR-SI-05	13,947	17,547
Total Drug Free Schools			13,980	17,547
Fund for Improvement of Education	84.215	N/A	26,298	26,298
Total Fund for Improvement of Education			26,298	26,298
Title V-Innovative Programs	84.298	C2-SI-04	(3,937) (3)	-
Title V-Innovative Programs	84.298	C2-SI-05	8,630	15,456
Total Title V Innovative Programs			4,693	15,456
Title II-D	84.318	TJ-SI-04	(3,887) (3)	8,879
Title II-D	84.318	TJ-SI-05	15,600	8,858
Total Title II-D			11,713	17,737
AVTF	84.330	AVTF-04	728	-
AVTF	84.330	AVTF-05	468	-
Total AVTF			1,196	-
FED Emergency Repair Program	84.352	N/A	90,880	91,425
Total FED Emergency Repair Program			90,880	91,425
Title II-A	84.367	TR-SI-04	(5,916) (3)	7,755
Title II-A	84.367	TR-SI-05	140,638	142,827
Total Title II-A			134,721	150,582
TOTAL U. S. DEPARTMENT OF EDUCATION			2,029,399	1,924,139
U. S. DEPARTMENT OF HEALTH & HUMAN SERVICES				
(Passed Through State Department Of Mental Retardation & Developmental Disabilities):				
Medical Assistance Program/CAFS	93.778	N/A	297,020	297,020
TOTAL DEPARTMENT OF HEALTH & HUMAN SERVICES			297,020	297,020
U. S. DEPARTMENT OF AGRICULTURE				
(Passed Through Ohio Department Of Education):				
Nutrition Cluster:				
Food Distribution Program(2)	10.550	N/A	80,289	80,289
School Breakfast Program	10.553	05PU-04/05	133,156	133,156
National School Lunch Program	10.555	LLP4-04/05	552,216	552,216
Special Milk Program for Children	10.556	02PU-05	5,816	5,816
TOTAL U. S. DEPARTMENT OF AGRICULTURE			771,477	771,477
TOTAL FEDERAL ASSISTANCE			\$ 3,097,896	\$ 2,992,636

See Notes to the Schedule of Federal Awards Expenditures

**Wooster City School District
Wayne County, Ohio
Notes to the Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2005**

1. Significant Accounting Policies

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

2. Food Distribution

Non-monetary assistance is reported in the schedule at fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2005, the District had immaterial food commodities in inventory recorded in the Food Service Fund.

3. Includes a return of receipts to the state.

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

Rockefeller Building
614 West Superior Avenue Ste # 1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

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

Board of Education
Wooster City School District
Wayne County
144 North Market Street
Wooster, OH 44691

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Wooster City School 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 July 21, 2006, wherein we noted the District implemented GASB Technical Bulletin No. 2004-2 and GASB Statement No. 40. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of the District in a separate letter dated July 21, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated July 21, 2006.

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

Charles E. Harris & Associates, Inc.
July 21, 2006

Rockefeller Building
614 West Superior Avenue Suite # 1242
Cleveland, OH 44113-1306
Office Phone - (216) 575-1630
Fax - (216) 436-2411

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

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

Board of Education
Wooster City School District
Wayne County
144 North Market Street, Suite # 300
Wooster, OH 44691

Compliance

We have audited the compliance of the Wooster City School District with the types of compliance requirements described in *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

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

Charles E. Harris & Associates, Inc.

July 21, 2006

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

**Wooster City School District
Wayne County
June 30, 2005**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	<i>Type of Financial Statement Opinion</i>	Unqualified
(d)(1)(ii)	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(ii)	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
(d)(1)(iii)	<i>Was there any reported material non-compliance at the financial statement level (GAGAS)?</i>	No
(d)(1)(iv)	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(iv)	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	No
(d)(1)(v)	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
(d)(1)(vi)	<i>Are there any reportable findings under Section .510</i>	No
(d)(1)(vii)	<i>Major Programs:</i>	Title VIB-IDEA CFDA #84.027 Nutrition Cluster: Food Distribution Program CFDA #10.550 School Breakfast Program CFDA#10.553 National School Lunch Program CFDA#10.555 Special Milk Program for the Children CFDA# 10.556
(d)(1)(viii)	<i>Dollar Threshold: Type A\B Programs</i>	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	<i>Low Risk Auditee?</i>	Yes

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

Wooster City School District
Wayne County
June 30, 2005

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WOOSTER CITY SCHOOL DISTRICT
WAYNE COUNTY**

Schedule of Prior Audit Findings

The prior audit, for the year ended June 30, 2004, reported no material citations or recommendations.



**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

WOOSTER CITY SCHOOL DISTRICT

WAYNE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 28, 2006**