



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



Mary Taylor, CPA
Auditor of State

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District), as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio, as of June 30, 2006, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2007, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

May 7, 2007

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED**

The discussion and analysis of Wauseon Exempted Village School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2006. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Highlights

Highlights for fiscal year 2006 are as follows:

- In total, net assets increased \$844,365, or just over 15 percent, from the prior fiscal year. The School District resides in Fulton County. The County conducted its triennial update in calendar year 2005 with changes affecting calendar year 2006 collections. The School District collects approximately 43 percent of the revenue generated from real property taxes in the second-half of the fiscal year. This resulted in an increase in tax revenues. Other factors that should be noted are the increase in interest earnings due to a better market rate for savings as well as an increase in personal property taxes related to the Campbell Soup Company (this occurred due to issues regarding the valuation of property).
- General revenues accounted for 84 percent of total revenues and reflect the School District's significant dependence on property taxes and unrestricted state entitlements.
- In May 2006, the School District was notified of the opportunity to participate in the Ohio School Facilities program. Passage of the necessary levies in November 2006 allows the School District to move forward with participation in this program.

Using the Basic Financial Statements

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

The statement of net assets and the statement of activities provide information about the activities of the whole 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 a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other non-major funds presented in total in a single column. For Wauseon Exempted Village School District, the General Fund and the Bond Retirement debt service fund are the most significant funds.

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006. These statements include all assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal year's revenues and expenses regardless of when cash is received or paid.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

In the statement of net assets and the statement of activities, all of the School District's activities are presented as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund financial 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 determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2006 and fiscal year 2005:

Table 1
Net Assets

	Governmental Activities	
	2006	2005
<u>Assets:</u>		
Current and Other Assets	\$14,060,942	\$13,239,269
Capital Assets, Net	11,403,849	11,386,288
Total Assets	25,464,791	24,625,557
<u>Liabilities:</u>		
Current and Other Liabilities	7,482,716	7,212,938
Long-Term Liabilities	11,557,275	11,832,184
Total Liabilities	19,039,991	19,045,122
<u>Net Assets:</u>		
Invested in Capital Assets, Net of Related Debt	1,650,617	1,064,089
Restricted	1,337,880	918,930
Unrestricted	3,436,303	3,597,416
Total Net Assets	\$6,424,800	\$5,580,435

A review of the above table reveals that the only changes of note were those related to net assets. During fiscal year 2006, the School District retired \$575,000 in principal on the general obligation bonds. This retirement is not only reflected as a reduction of long-term liabilities but also resulted in the increase in invested in capital assets.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

Table 2
Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
<u>Revenues</u>		
Program Revenues		
Charges for Services	\$1,333,289	\$1,275,526
Operating Grants, Contributions, and Interest	1,491,249	1,054,408
Capital Grants and Contributions	138,221	
Total Program Revenues	<u>2,962,759</u>	<u>2,329,934</u>
General Revenues		
Property Taxes Levied for General Purposes	4,969,062	4,169,287
Property Taxes Levied for Debt Service	1,247,925	1,100,883
Property Taxes Levied for Permanent Improvements	181,182	135,565
Grants and Entitlements	8,257,852	8,569,972
Interest	333,912	165,658
Miscellaneous	157,078	155,927
Total General Revenues	<u>15,147,011</u>	<u>14,297,292</u>
Total Revenues	<u>18,109,770</u>	<u>16,627,226</u>
<u>Expenses</u>		
Instruction:		
Regular	8,319,798	6,914,175
Special	1,743,713	1,509,763
Vocational	281,904	239,338
Support Services:		
Pupils	616,260	531,066
Instructional Staff	617,516	549,151
Board of Education	43,729	45,981
Administration	1,155,082	1,064,211
Fiscal	357,578	303,712
Business	69,591	67,453
Operation and Maintenance of Plant	1,488,605	1,480,986
Pupil Transportation	659,474	398,737
Central	56,594	57,351
Non-Instructional Services	840,556	756,372
Extracurricular Activities	561,628	415,683
Capital Outlay		8,824
Interest and Fiscal Charges	453,377	948,612
Total Expenses	<u>17,265,405</u>	<u>15,291,415</u>
Increase in Net Assets	844,365	1,335,811
Net Assets at Beginning of Year	<u>5,580,435</u>	<u>4,244,624</u>
Net Assets at End of Year	<u><u>\$6,424,800</u></u>	<u><u>\$5,580,435</u></u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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(Continued)**

Program revenues represent a little over 16 percent of total revenues (compared to 14 percent in fiscal year 2005) and primarily consist of restricted intergovernmental revenues, charges and fees for tuition and extracurricular activities, and food service sales. The increase for fiscal year 2006 was primarily due to additional grants and contributions related to special instruction and pupil transportation.

Property tax related activities (triennial update and Campbell Soup issues) as well as improved interest rates led to the increase in general revenues.

Most all expense programs realized increases in costs over the prior fiscal year due to operational activities. The overall increase was 10 percent. The major program expense for governmental activities continues to be for instruction, which accounted for 60 percent of all governmental expenses in fiscal year 2006. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 11 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, almost 9 percent. Therefore, 80 percent of the School District's expenses are related to the primary function of providing facilities and delivering education. The remaining costs are of a more indirect nature.

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

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction:				
Regular	\$8,319,798	\$6,914,175	\$7,519,153	\$6,035,257
Special	1,743,713	1,509,763	727,539	1,009,919
Vocational	281,904	239,338	200,677	225,640
Support Services:				
Pupils	616,260	531,066	602,148	499,545
Instructional Staff	617,516	549,151	617,516	493,840
Board of Education	43,729	45,981	43,729	45,981
Administration	1,155,082	1,064,211	1,155,082	1,063,111
Fiscal	357,578	303,712	357,578	303,712
Business	69,591	67,453	69,591	67,453
Operation and Maintenance of Plant	1,488,605	1,480,986	1,488,605	1,480,986
Pupil Transportation	659,474	398,737	544,078	398,737
Central	56,594	57,351	44,594	45,351
Non-Instructional Services	840,556	756,372	42,151	12,230
Extracurricular Activities	561,628	415,683	436,828	322,283
Capital Outlay		8,824		8,824
Interest and Fiscal Charges	453,377	948,612	453,377	948,612
Total Expenses	\$17,265,405	\$15,291,415	\$14,302,646	\$12,961,481

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

The above table demonstrates that, overall, both the total cost and net cost of services did not change significantly from fiscal year 2005 (2 percent), and the dependence on tax revenues and unrestricted state entitlements is considerable with 84 percent of all programs supported by these revenue sources. Almost 82 percent of instruction activities are supported through taxes and other general revenues. Several programs, however, receive substantial support through program revenues. Approximately 58 percent of special instruction costs are provided for through program revenues. This is the result of various grants restricted for special instruction purposes. Almost 95 percent of non-instructional services costs were covered for through program revenues. This is primarily due to cafeteria sales, state and federal subsidies, and donated commodities for food service operations. Approximately 22 percent of extracurricular activities expenses are covered by program revenues. These program revenues are the result of music and athletic fees, ticket sales, and gate receipts at musical and athletic events.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. The General Fund had an insignificant increase in its fund balance of less than 1 percent. The Bond Retirement fund experienced a sizable increase in its fund balance, 37 percent. This is because currently property tax collections have been greater than the amount needed to pay debt payments.

General Fund Budgeting Highlights

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

During fiscal year 2006, the School District amended its General Fund budget as needed. For both revenues and expenditures, changes between the original budget and final budget and between the final budget and actual amounts received or spent were not that significant.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2006, the School District had \$11,403,849 invested in capital assets (net of accumulated depreciation), an increase of \$17,561, or approximately 1 percent. For further information regarding the School District's capital assets, refer to Note 9 to the basic financial statements.

Debt

The School District's outstanding debt at fiscal year end consisted of general obligation bonds, in the amount of \$10,863,030. The School District's long-term obligations also include compensated absences. For further information regarding the School District's long-term obligations, refer to Note 15 to the basic financial statements.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

Current Issues

Starting in January 2005, the Wauseon Exempted Village School District embarked on a major facility planning project. The Board of Education formed a thirty-five member "Facility Planning Committee." This was a very diverse group made up of members from a cross section of our community as well as representatives from our School District staff. This group's charge was to become highly educated about the condition of our facilities, about participation in an Ohio School Facility Commission (OSFC) project, and to gather input from the community. In addition, the Board directed them to recommend a long-term facility plan. After ten months of meeting and learning and assessing the community, a plan was recommended to the Board of Education in the fall of 2005.

Then in May 2006, the School District received confirmation from the OSFC that we were eligible for a Classroom Facilities Assistance Project. The Master Plan provided by the OSFC involved the renovation of Leggett Street Primary School and Wauseon High School as well as the construction of a 3rd through 8th grade building. This also meant the eventual abandonment of our Elm Street Elementary and Burr Road Middle Schools. It just so happened that the OSFC's recommendation mirrored the recommendation by the Facility Planning Committee. The planned project totals nearly \$43.5 million, of which the State of Ohio will contribute roughly \$24.7 million. The community passed a bond issue in the November 2006 election that provided for our local share of roughly \$18.8 million and thus approval to proceed with the project.

Currently, we are moving into the design and planning phase of the project and have a tentative goal of breaking ground in the spring of 2008.

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 reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Dameron, Treasurer, Wauseon Exempted Village School District, 126 South Fulton Street, Wauseon, Ohio 43567-1350.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2006**

	Governmental Activities
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	\$7,534,493
Accounts Receivable	10,699
Accrued Interest Receivable	18
Intergovernmental Receivable	69,518
Prepaid Items	53,431
Inventory Held for Resale	8,358
Materials and Supplies Inventory	40,915
Property Taxes Receivable	6,211,317
Unamortized Issuance Costs	132,193
Nondepreciable Capital Assets	471,650
Depreciable Capital Assets, Net	10,932,199
Total Assets	25,464,791
<u>Liabilities:</u>	
Accounts Payable	6,404
Contracts Payable	76,500
Accrued Wages and Benefits Payable	1,282,324
Intergovernmental Payable	379,612
Matured Compensated Absences Payable	83,292
Retainage Payable	7,650
Deferred Revenue	5,615,230
Accrued Interest Payable	31,704
Long-Term Liabilities:	
Due Within One Year	719,890
Due in More Than One Year	10,837,385
Total Liabilities	19,039,991
<u>Net Assets:</u>	
Invested in Capital Assets, Net of Related Debt	1,650,617
Restricted For:	
Set Asides	8,425
Debt Service	1,030,653
Capital Projects	174,727
Other Purposes	124,075
Unrestricted	3,436,303
Total Net Assets	\$6,424,800

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Assets
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>					
Instruction:					
Regular	\$8,319,798	\$695,446	\$85,103	\$20,096	(\$7,519,153)
Special	1,743,713		1,016,174		(727,539)
Vocational	281,904		81,227		(200,677)
Support Services:					
Pupils	616,260		14,112		(602,148)
Instructional Staff	617,516				(617,516)
Board of Education	43,729				(43,729)
Administration	1,155,082				(1,155,082)
Fiscal	357,578				(357,578)
Business	69,591				(69,591)
Operation and Maintenance of Plant	1,488,605				(1,488,605)
Pupil Transportation	659,474		2,971	112,425	(544,078)
Central	56,594		12,000		(44,594)
Non-Instructional Services	840,556	531,418	266,987		(42,151)
Extracurricular Activities	561,628	106,425	12,675	5,700	(436,828)
Interest and Fiscal Charges	453,377				(453,377)
Total Governmental Activities	<u>\$17,265,405</u>	<u>\$1,333,289</u>	<u>\$1,491,249</u>	<u>\$138,221</u>	<u>(14,302,646)</u>
<u>General Revenues:</u>					
					4,969,062
					1,247,925
					181,182
					8,257,852
					333,912
					157,078
					<u>15,147,011</u>
					844,365
					5,580,435
					<u>\$6,424,800</u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2006**

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	\$5,671,353	\$1,453,959	\$400,756	\$7,526,068
Accounts Receivable	30		10,669	10,699
Accrued Interest Receivable	18			18
Intergovernmental Receivable	2,280	182	67,056	69,518
Interfund Receivable	5,621			5,621
Prepaid Items	53,431			53,431
Inventory Held for Resale			8,358	8,358
Materials and Supplies Inventory	29,685		11,230	40,915
<u>Restricted Assets:</u>				
Equity in Pooled Cash and Cash Equivalents	8,425			8,425
Property Taxes Receivable	4,773,596	1,258,019	179,702	6,211,317
Total Assets	\$10,544,439	\$2,712,160	\$677,771	\$13,934,370
<u>Liabilities and Fund Balances:</u>				
<u>Liabilities</u>				
Accounts Payable	\$5,808		\$596	\$6,404
Contracts Payable			76,500	76,500
Accrued Wages and Benefits Payable	1,211,300		71,024	1,282,324
Intergovernmental Payable	352,487		27,125	379,612
Interfund Payable			5,621	5,621
Matured Compensated Absences Payable	83,292			83,292
Retainage Payable			7,650	7,650
Deferred Revenue	4,386,479	\$1,162,997	173,182	5,722,658
Total Liabilities	6,039,366	1,162,997	361,698	7,564,061
<u>Fund Balances:</u>				
Reserved for Property Taxes	251,823	68,167	9,556	329,546
Reserved for Bus Purchase	8,425			8,425
Reserved for Encumbrances	58,615		39,816	98,431
<u>Unreserved, Reported in:</u>				
General Fund	4,186,210			4,186,210
Special Revenue Funds			141,070	141,070
Debt Service Fund		1,480,996		1,480,996
Capital Projects Fund			125,631	125,631
Total Fund Balances	4,505,073	1,549,163	316,073	6,370,309
Total Liabilities and Fund Balances	\$10,544,439	\$2,712,160	\$677,771	\$13,934,370

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2006**

Total Governmental Fund Balances		\$6,370,309
<p>Amounts reported for governmental activities on the statement of net assets are different because of the following:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,403,849
Unamortized issuance costs are deferred charges which do not provide current financial resources and, therefore, are not reported in the funds.		132,193
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Accounts Receivable	\$7,044	
Property Taxes Receivable	<u>100,384</u>	
		107,428
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued Interest Payable	(31,704)	
General Obligation Bonds Payable	(10,488,462)	
Compensated Absences Payable	<u>(1,068,813)</u>	
		<u>(11,588,979)</u>
Net Assets of Governmental Activities		<u><u>\$6,424,800</u></u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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

	General	Bond Retirement	Other Governmental	Total Governmental Funds
<u>Revenues:</u>				
Property Taxes	\$4,976,142	\$1,250,736	\$180,983	\$6,407,861
Intergovernmental	8,718,672	163,964	971,903	9,854,539
Interest	330,172		7,020	337,192
Tuition and Fees	623,769		64,633	688,402
Extracurricular Activities			106,425	106,425
Charges for Services			531,418	531,418
Gifts and Donations			22,675	22,675
Miscellaneous	153,204		3,874	157,078
Total Revenues	<u>14,801,959</u>	<u>1,414,700</u>	<u>1,888,931</u>	<u>18,105,590</u>
<u>Expenditures:</u>				
Current:				
Instruction:				
Regular	7,804,826		188,162	7,992,988
Special	1,306,294		383,942	1,690,236
Vocational	267,954		8,599	276,553
Support Services:				
Pupils	512,250		94,020	606,270
Instructional Staff	579,850		36,373	616,223
Board of Education	43,729			43,729
Administration	1,174,352		2,100	1,176,452
Fiscal	340,602	27,892	4,057	372,551
Business	75,166			75,166
Operation and Maintenance of Plant	1,442,609		108,950	1,551,559
Pupil Transportation	770,021			770,021
Central	44,594		12,000	56,594
Non-Instructional Services			809,649	809,649
Extracurricular Activities	416,337		123,890	540,227
Capital Outlay			110,430	110,430
Debt Service:				
Principal Retirement		575,000		575,000
Interest and Fiscal Charges		392,593		392,593
Total Expenditures	<u>14,778,584</u>	<u>995,485</u>	<u>1,882,172</u>	<u>17,656,241</u>
Changes in Fund Balances	23,375	419,215	6,759	449,349
Fund Balances at Beginning of Year -				
Restated (Note 3)	4,481,698	1,129,948	309,314	5,920,960
Fund Balances at End of Year	<u>\$4,505,073</u>	<u>\$1,549,163</u>	<u>\$316,073</u>	<u>\$6,370,309</u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement of Activities
For the Fiscal Year Ended June 30, 2006**

Changes in Fund Balances - Total Governmental Funds \$449,349

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

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

Capital Outlays - Depreciable Capital Assets	\$84,150	
Capital Outlays - Nondepreciable Capital Assets	220,384	
Capital Contributions	5,700	
Depreciation	<u>(291,249)</u>	18,985

The book value of capital assets is removed from the capital asset account on the statement of net assets when disposed of, resulting in a loss on disposal of capital assets on the statement of activities. (1,424)

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

Property Taxes	(9,692)	
Intergovernmental	1,128	
Tuition and Fees	<u>7,044</u>	(1,520)

Repayment of principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 575,000

Interest is reported as an expenditure when due in governmental funds, but is accrued on outstanding debt on the statement of net assets. Premiums and issuance costs are reported as revenues and expenditures when the debt is first issued; however, these amounts are deferred and amortized on the statement of activities.

Accrued Interest Payable	1,012	
Annual Accretion	(61,796)	
Amortization of Premium	6,033	
Amortization of Accounting Loss	(4,459)	
Amortization of Issuance Costs	<u>(1,574)</u>	(60,784)

Some expenses reported on the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	104,628	
Compensated Absences Payable	<u>(239,869)</u>	<u>(135,241)</u>

Change in Net Assets of Governmental Activities \$844,365

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2006**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$4,395,000	\$4,766,000	\$4,752,148	(\$13,852)
Intergovernmental	8,268,500	8,307,665	8,718,672	411,007
Interest	150,000	265,000	336,353	71,353
Tuition and Fees	612,500	612,500	623,769	11,269
Miscellaneous	84,500	141,000	164,975	23,975
Total Revenues	13,510,500	14,092,165	14,595,917	503,752
Expenditures:				
Current:				
Instruction:				
Regular	7,935,980	8,111,473	7,794,283	317,190
Special	1,458,182	1,366,763	1,300,885	65,878
Vocational	270,899	277,555	266,641	10,914
Support Services:				
Pupils	471,038	490,653	482,283	8,370
Instructional Staff	601,937	623,051	566,126	56,925
Board of Education	53,050	49,700	46,455	3,245
Administration	1,243,284	1,239,382	1,176,574	62,808
Fiscal	359,545	354,405	332,003	22,402
Business	68,185	71,824	70,917	907
Operation and Maintenance of Plant	1,614,888	1,663,443	1,436,936	226,507
Pupil Transportation	789,581	817,983	741,996	75,987
Central	70,500	71,330	44,594	26,736
Extracurricular Activities	429,627	454,571	414,076	40,495
Total Expenditures	15,366,696	15,592,133	14,673,769	918,364
Excess of Revenues Under Expenditures	(1,856,196)	(1,499,968)	(77,852)	1,422,116
Other Financing Sources (Uses):				
Refund of Prior Year Expenditures			503	503
Advances In	8,566	8,566	8,566	
Advances Out	(8,566)	(8,566)	(5,621)	2,945
Total Other Financing Sources (Uses)			3,448	3,448
Changes in Fund Balance	(1,856,196)	(1,499,968)	(74,404)	1,425,564
Fund Balance at Beginning of Year	5,674,508	5,674,508	5,674,508	
Prior Year Encumbrances Appropriated	20,440	20,440	20,440	
Fund Balance at End of Year	\$3,838,752	\$4,194,980	\$5,620,544	\$1,425,564

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2006**

	Private Purpose Trust	Agency
<u>Assets:</u>		
Equity in Pooled Cash and Cash Equivalents	\$417,455	\$103,722
Accrued Interest Receivable	2,900	
Total Assets	420,355	\$103,722
<u>Liabilities:</u>		
Undistributed Assets		\$103,722
<u>Net Assets:</u>		
Held in Trust for Scholarships	34,974	
Endowments	385,381	
Total Net Assets	\$420,355	

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Change in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2006**

Additions:

Interest	\$13,434
Gifts and Donations	16,265
Total Additions	<u>29,699</u>

Deductions:

Non-Instructional Services	<u>15,599</u>
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Change in Net Assets 14,100

Net Assets at Beginning of Year - Restated (Note 3)	<u>406,255</u>
Net Assets at End of Year	<u><u>\$420,355</u></u>

See Accompanying Notes to the Basic Financial Statements

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wauseon Exempted Village School District (the "School District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The School District provides educational services as authorized by state and federal guidelines.

The School District was established in 1865 through the consolidation of existing land areas and school districts. The School District serves an area of approximately fifty-four square miles. It is located in Fulton County, and includes all of the Village of Wauseon and portions of Clinton, Dover, and York Townships. The School District is the 254th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by seventy-six classified employees, one hundred twenty-one certified teaching personnel, and twelve administrative employees who provide services to 2,112 students and other community members. The School District currently operates four instructional buildings.

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure 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 Wauseon Exempted Village School District, this includes general operations, food service, preschool, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Wauseon Exempted Village School District.

The School District participates in five jointly governed organizations, three insurance pools, and is associated with a related organization. These organizations are the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northwest Ohio Special Education Regional Resource Center, the Ohio School Plan, the Northern Buckeye Education Council Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Wauseon Public Library. These organizations are presented in Notes 18, 19, and 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

A. Basis of Presentation

The School District's basic financial statements consist of government-wide financial 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental revenues) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal 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. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the fiscal 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 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Governmental Funds

Governmental funds are those through which most governmental functions of the School District 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 School District's two major funds are the General Fund and the Bond Retirement debt service fund.

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

Bond Retirement Fund - The Bond Retirement debt service fund is used to account for the accumulation of resources for and the payment of principal and interest on 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.

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 not available to support the School District's own programs. The School District's private purpose trust fund accounts for college scholarships for students after graduation. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for various student-managed activities.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of 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. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects 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 fund financial statements for governmental funds.

The private purpose trust fund is accounted for using a flow of economic resources measurement focus.

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; fiduciary funds use the accrual basis of accounting. Differences in the accrual and 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 Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means 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 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. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal 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 the 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 both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, student fees, and charges for services.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2006, but which were levied to finance fiscal year 2007 operations, are 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 are reported as deferred revenue.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

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. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are an alternative tax budget (consists of a five-year forecast and debt schedules), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternative tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds are made by the School District Treasurer.

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

The appropriations resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriations resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

F. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2006, investments consisted of nonnegotiable certificates of deposit, which are reported at cost.

The School District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2006 was \$330,172, which includes \$70,617 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of administrative supplies and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets represent unexpended revenues restricted for the purchase of school buses.

J. Capital Assets

All of the School District's capital assets are general capital assets generally resulting from expenditures in governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost and updated for additions and reductions during the fiscal year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

All 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:

<u>Description</u>	<u>Useful Lives</u>
Land Improvements	10 - 40 years
Buildings and Building Improvements	50 - 111 years
Furniture, Fixtures, and Equipment	5 - 20 years
Vehicles	7 - 15 years

K. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after ten years of service.

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

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

M. Accrued Liabilities and Long-Term Obligations

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as liabilities on the fund financial statements when due.

N. 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 balance of any borrowing 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. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2006, there were no net assets restricted by enabling legislation.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

O. Fund Balance Reserves

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

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

P. Capital Contributions

Capital contributions arise from outside contributions of capital assets.

Q. Interfund Transactions

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

R. 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 management and are either unusual in nature or infrequent in occurrence.

S. Estimates

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

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF ERRORS, AND RESTATEMENT OF FUND BALANCE/NET ASSETS

A. Change in Accounting Principles

For fiscal year 2006, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries". GASB Statement No. 42 establishes accounting and financial reporting standards for impairment of capital assets. The implementation of this statement did not result in any change to the School District's financial statements.

B. Correction of Errors

In the prior fiscal year, the School District classified several funds incorrectly, made errors in reporting capital assets, and incorrectly reported the issuance costs and premium on capital appreciation bonds.

C. Restatement of Fund Balance/Net Assets

The restatement due to the above corrections had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported:

	General	Bond Retirement	Other Governmental	Total Governmental Funds
Fund Balance June 30, 2005	\$4,481,062	\$1,129,948	\$307,569	\$5,918,579
Change in Fund Structure	636		1,745	2,381
Restated Fund Balance June 30, 2005	<u>\$4,481,698</u>	<u>\$1,129,948</u>	<u>\$309,314</u>	<u>\$5,920,960</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

**NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES, CORRECTION OF ERRORS, AND
RESTATEMENT OF FUND BALANCE/NET ASSETS – (CONTINUED)**

The restatement had the following effect on net assets:

	Total Governmental Activities	Private Purpose Trust
Net Assets at June 30, 2005	\$4,288,460	\$408,636
Change in Fund Structure	2,381	(2,381)
Capital Assets	1,344,754	
Accumulated Depreciation	(55,160)	
Premium	(229,180)	
Issuance Costs	(149,847)	
Accounting Loss	379,027	
Adjusted Governmental Activities Net Assets at June 30, 2005	\$5,580,435	
Adjusted Fiduciary Net Assets at June 30, 2005		\$406,255

NOTE 4 - ACCOUNTABILITY

At June 30, 2006, the Ohio Reads and Title IV-R special revenue funds had deficit fund balances, in the amount of \$14 and \$906, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING – (CONTINUED)

The adjustments necessary to reconcile the GAAP and budgetary basis statements for the General Fund are as follows:

Changes in Fund Balance	
GAAP Basis	\$23,375
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2005, Received in Cash FY 2006	183,906
Accrued FY 2006, Not Yet Received in Cash	(389,445)
Expenditure Accruals:	
Accrued FY 2005, Paid in Cash FY 2006	(1,458,017)
Accrued FY 2006, Not Yet Paid in Cash	1,652,887
Prepaid Items	(12,339)
Materials and Supplies Inventory	(18,482)
Advances In	8,566
Advances Out	(5,621)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(59,234)
Budget Basis	(\$74,404)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the School District treasury. Active 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 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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Interim monies held by the School District may be deposited or invested in the following securities:

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 6 - DEPOSITS AND INVESTMENTS – (CONTINUED)

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$7,919,910 of the School District's bank balance of \$8,182,233 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although 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.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2006, consisted of accounts (student fees and billings for user charged services), accrued interest, intergovernmental, interfund, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	
Homestead and Rollback	\$919
State of Ohio	1,361
Total General Fund	2,280
Bond Retirement Fund	
Homestead and Rollback	182
Other Governmental Funds	
Food Service	20,392
CTA Equipment	800
Title IV-B	28,802
Title I	8,364
Drug Free	1,750
Preschool	1,033

(continued)

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 7 – RECEIVABLES – (CONTINUED)

	<u>Amount</u>
Other Governmental Funds (continued)	
Title II-A	\$5,888
Permanent Improvement	27
Total Other Governmental Funds	<u>67,056</u>
Total Intergovernmental Receivables	<u>\$69,518</u>

NOTE 8 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30; however, this settlement was not received by the School District within fiscal year 2006.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 8 - PROPERTY TAXES – (CONTINUED)

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

Accrued property taxes receivable represents the late personal property tax settlement, real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2006, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 and the late personal property tax settlement were levied to finance current fiscal year operations and is reflected as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2006, was \$251,823 in the General Fund, \$68,167 in the Bond Retirement debt service fund, and \$9,556 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2005, was \$164,042 in the General Fund, \$44,718 in the Bond Retirement debt service fund, and \$6,666 in the Permanent Improvement capital projects fund.

The late settlement made by the County for fiscal year 2006 was \$136,213 in the General Fund, \$27,037 in the Bond Retirement debt service fund, and \$4,035 in the Permanent Improvement capital projects fund.

Collectible delinquent property taxes have been recorded as a receivable and revenue on a full accrual basis. On a modified accrual basis, the revenue has been deferred.

The assessed values upon which fiscal year 2006 taxes were collected are:

	<u>2005 Second- Half Collections</u>		<u>2006 First- Half Collections</u>	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$122,960,460	65.61%	\$133,075,510	68.27%
Industrial/Commercial	34,837,640	18.59	37,410,290	19.19
Public Utility	8,594,330	4.59	8,089,160	4.15
Tangible Personal	<u>21,011,464</u>	<u>11.21</u>	<u>16,344,410</u>	<u>8.39</u>
Total Assessed Value	<u>\$187,403,894</u>	<u>100.00%</u>	<u>\$194,919,370</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$41.60		\$41.60	

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - CAPITAL ASSETS

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

	Restated Balance at 6/30/05	Additions	Reductions	Balance at 6/30/06
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$387,500			\$387,500
Construction in Progress		\$84,150		84,150
Total Nondepreciable Capital Assets	387,500	84,150		471,650
Depreciable Capital Assets				
Land Improvements	531,968			531,968
Buildings and Building Improvements	13,452,780			13,452,780
Furniture, Fixtures, and Equipment	433,159	86,384	(\$5,698)	513,845
Vehicles	903,542	139,700		1,043,242
Total Depreciable Capital Assets	15,321,449	226,084	(5,698)	15,541,835
Less Accumulated Depreciation				
Land Improvements	(283,688)	(15,003)		(298,691)
Buildings and Building Improvements	(3,211,484)	(194,170)		(3,405,654)
Furniture, Fixtures, and Equipment	(259,217)	(33,821)	4,274	(288,764)
Vehicles	(568,272)	(48,255)		(616,527)
Total Accumulated Depreciation	(4,322,661)	(291,249)	4,274	(4,609,636)
Depreciable Capital Assets, Net	10,998,788	(65,165)	(1,424)	10,932,199
Governmental Activities Capital Assets, Net	\$11,386,288	\$18,985	(\$1,424)	\$11,403,849

During fiscal year 2006, the School Districted accepted contributions of depreciable capital assets for governmental activities with a fair value of \$5,700.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 9 - CAPITAL ASSETS – (CONTINUED)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$153,387
Special	22,397
Vocational	8,189
Support Services:	
Pupils	7,698
Instructional Staff	6,399
Administration	4,978
Operation and Maintenance of Plant	11,398
Pupil Transportation	46,357
Non-Instructional Services	\$5,130
Extracurricular Activities	25,316
Total Depreciation Expense	<u>\$291,249</u>

NOTE 10 - INTERFUND ASSETS/LIABILITIES

At June 30, 2006, the General Fund had an interfund receivable and other governmental funds had an interfund payable, in the amount of \$5,621, resulting from the provision of cash flow resources until the receipt of grant monies by the other governmental funds.

NOTE 11 - RISK MANAGEMENT

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. During fiscal year 2006, the School District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
Per Occurrence	\$3,000,000
Total per Year	5,000,000
Blanket Property (\$1,000 deductible)	33,984,850
Vehicle Liability	3,000,000
Uninsured/Underinsured Motorists	1,000,000

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 11 - RISK MANAGEMENT – (CONTINUED)

For fiscal year 2006, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

The School District participates in the Northern Buckeye Education Council Employee Insurance Benefits Program (Program), a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The School District pays monthly premiums to the Northern Buckeye Education Council for the benefits offered to its employees including medical, dental, and life insurance. The Northern Buckeye Education Council is responsible for the management and operations of the Program. The agreement for the Program provides for additional assessments to all participants if the premiums are insufficient to pay the program costs for the fiscal year. Upon withdrawal from the Program, a participant is responsible for any claims not processed and paid and any related administrative costs.

The School District participates in the Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to reduce premiums for the participants. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to entities that can meet the Plan's selection criteria. Each participant must apply annually. The Plan provides the participants with a centralized program for the processing, analysis, and management of workers' compensation claims and a risk management program to assist in developing safer work environments. Each participant must pay its premiums, enrollment or other fees, and performs its obligations in accordance with the terms of the agreement.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The CP offers features of both the DBP and DCP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

A DBP or CP member with five or more years of 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 DCP who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004, was \$961,488, \$920,360, and \$900,958, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$5,738 made by the School District and \$27,388 made by plan members.

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004, were \$167,640, \$155,697, and \$146,453, respectively; 44 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 12 - DEFINED BENEFIT PENSION PLANS – (CONTINUED)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2006, none of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent 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 classified 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 obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

STRS retirees who participate in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost 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 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$74,402.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005 (the latest information available). For the fiscal year ended June 30, 2005, net 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 years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$78,054 for fiscal year 2006.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 13 - POSTEMPLOYMENT BENEFITS – (CONTINUED)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2005 (the latest information available), were \$178,221,113. The target level for the health care fund is 150 percent 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 percent of next year's projected net health care costs of \$158,776,151. On the basis of actuarial projections, the allocated contributions will not be sufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

NOTE 14 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Eleven and twelve month employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred twenty-five days for classified employees and two hundred twenty-seven days for certified employees. Upon retirement, payment is made for one-fourth of accrued, but unused sick leave credit to a maximum of fifty-two days for classified employees and fifty-five days for certified employees.

B. Health Care Benefits

The School District provides medical, dental, and life insurance to most employees through the Northern Buckeye Education Council Employee Insurance Benefits Program.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2006 were as follows:

	<u>Balance at 6/30/05</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/06</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
General Obligation Bonds					
FY97 School Improvement Bonds					
Serial Bonds 4.75-5.25%	\$1,485,000		\$465,000	\$1,020,000	\$490,000
FY05 School Improvement Bonds					
Serial Bonds 2-4.35%	8,965,000		110,000	8,855,000	110,000
Capital Appreciation Bonds 3.74-3.89%	384,993			384,993	
Accretion on Capital Appreciation Bonds	34,480	\$61,796		96,276	
Premium	512,794		6,033	506,761	
Accounting Loss	<u>(379,027)</u>		<u>(4,459)</u>	<u>(374,568)</u>	
Total General Obligation Bonds	11,003,240	61,796	576,574	10,488,462	600,000
Compensated Absences Payable	<u>828,944</u>	<u>277,266</u>	<u>37,397</u>	<u>1,068,813</u>	<u>119,890</u>
Total Governmental Activities Long-Term Obligations	<u>\$11,832,184</u>	<u>\$339,062</u>	<u>\$613,971</u>	<u>\$11,557,275</u>	<u>\$719,890</u>

FY97 School Improvement Bonds - On February 1, 1997, the School District issued School Improvement Bonds, in the amount of \$13,764,838. The bond issue included serial, term, and capital appreciation bonds, in the amount of \$5,690,000, \$7,795,000, and \$279,837, respectively. The bonds were issued for a twenty-five year period, with final maturity during fiscal year 2023. In fiscal year 2005, the term bonds were advance refunded. The capital appreciation bonds were paid in full. The remaining bonds will be retired through the Bond Retirement debt service fund.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

Serial bonds maturing on December 1, 2007, are subject to prior redemption on or after June 1, 2007, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date and in integral multiples of \$5,000, at the following redemption prices (expressed as percentages of the principal amount redeemed) plus accrued interest to the redemption date, according to the following schedule:

Redemption Dates (Dates Inclusive)	Redemption Prices
June 1, 2007 through May 31, 2008	101 %
June 1, 2008 through May 31, 2009	100.5
June 1, 2009 and thereafter	100

FY05 School Improvement Bonds - On October 1, 2004, the School District issued School Improvement Bonds, in the amount of \$9,479,993, to partially refund bonds previously issued in fiscal year 1997, to improve school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$9,095,000 and \$384,993, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the Bond Retirement debt service fund.

The serial bonds are subject to prior redemption on or after December 1, 2014, by and at the sole option of the School District, either in whole on any date or in part on any interest payment date and in integral multiples of \$5,000, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The maturity amount of the bonds is \$1,165,000. For fiscal year 2006, \$61,796 was accreted on the capital appreciation bonds for a total value of \$481,269 at fiscal year end.

At June 30, 2006, \$8,855,000 of the refunded debt was still outstanding.

Compensated absences will be paid from the General Fund and the Food Service special revenue funds.

The School District's overall debt margin was \$5,086,308 with an unvoted debt margin of \$170,514 at June 30, 2006.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 15 - LONG-TERM OBLIGATIONS – (CONTINUED)

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

Fiscal Year Ending June 30,	General Obligation Bonds			Total
	Serial	Capital Appreciation	Interest	
2007	\$600,000		\$367,329	\$967,329
2008	625,000		344,926	969,926
2009	645,000		325,280	970,280
2010	665,000		303,490	968,490
2011	695,000		279,664	974,664
2012-2016	1,750,000	\$384,993	1,990,327	4,125,320
2017-2021	3,420,000		674,051	4,094,051
2022-2023	1,475,000		61,786	1,536,786
Total	<u>\$9,875,000</u>	<u>\$384,993</u>	<u>\$4,346,853</u>	<u>\$14,606,846</u>

NOTE 16 - SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	(\$455,993)	
Current Year Set Aside Requirement	290,544	\$290,544
Current Year Offsets		(174,058)
Qualifying Expenditures	(563,664)	(116,486)
Balance June 30, 2006	<u>(\$729,113)</u>	<u></u>

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

The School District's private purpose trust fund consists of donor restricted endowments and realized and unrealized appreciation on investments. Endowments, in the amount of \$385,381, represent the principal portion. The amount of net appreciation in donor restricted investments that is available for expenditures by the School District is \$34,974 and is reflected as held in trust for scholarships. State law permits the School District to appropriate, for purposes consistent with the endowment's intent, net appreciation, realized and unrealized, unless the endowment terms specify otherwise. The endowment indicates that the interest should be used to provide a scholarship each year.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of the superintendent from each participating educational entity and a representative from the fiscal agent. The Assembly elects the governing council of two representatives from each of the six counties in which member educational entities are located and the representative from the member educational entity serving as fiscal agent for NWOCA. The degree of control exercised by any participating educational entity is limited to its representation on the Governing Council. During fiscal year 2006, the School District paid \$58,252 to NWOCA for various services. Financial information can be obtained from the Northwest Ohio Computer Association, 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among educational entities located in Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected board consisting of two representatives from each of the six counties in which the member educational entities are located. The Board is elected from an assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Northern Buckeye Education Council, 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center (Career Center) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Career Center is operated under the direction of a board consisting of five representatives from the Northwest Ohio Educational Service Center and one representative from the participating school districts elected boards. The Career Center possesses its own budgeting and taxing authority. The degree of control exercised by the School District is limited to its representation on the Board. Financial information can be obtained from the Four County Career Center, Route 1, Box 245A, Archbold, Ohio 43502.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS – (CONTINUED)

D. Northwestern Ohio Educational Research Council, Inc.

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

E. Northwest Ohio Special Education Regional Resource Center

The Northwest Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to provide services to families, educators, and agencies regarding educational law and curriculum and instruction for students with disabilities. The SERRC serves a thirteen county area in Northwest Ohio. The Governing Board consists of superintendents from each of the cooperating School Districts, the fiscal agent superintendent, two parents of children with disabilities, one superintendent of a county board of MR/DD, one representative from a chartered non-public school, one representative from the University of Toledo, one representative from Bowling Green State University, one representative from a community school, and any other representatives from other agencies as designated by the Governing Board or the Ohio Department of Education. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Eastwood Local School District, 4800 Sugar Ridge Road, Pemberville, Ohio 43450.

NOTE 19 - INSURANCE POOLS

A. Ohio School Plan

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 19 - INSURANCE POOLS – (CONTINUED)

B. Northern Buckeye Education Council Employee Insurance Benefits Program

The Northern Buckeye Education Council Employee Insurance Benefits Program (Program) is a public entity shared risk pool consisting of educational entities within Defiance, Fulton, Henry, Lucas, Williams, and Wood Counties. The Program is governed by the Northern Buckeye Education Council (NBEC) and its participating members.

C. Northern Buckeye Education Council Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council Workers' Compensation Group Rating Plan (Plan) was established through the Northern Buckeye Education Council (NBEC) as an insurance purchasing pool. The Plan is governed by the NBEC and the participants of the Plan. The Executive Director of the NBEC coordinates the management and administration of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 20 - RELATED ORGANIZATION

The Wauseon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Wauseon Exempted Village School District Board of Education. The Board of Trustees possesses its own budgeting and contracting authority, hires and fires personnel, and does not depend on the School District for operational subsidies. Although the School District serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wauseon Public Library, 117 East Elm Street, Wauseon, Ohio 43567.

NOTE 21 - CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The School District Board of Education is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

NOTE 22 - SUBSEQUENT EVENT

On November 7, 2006, the voters approved bond levies of 4.2 mills and .229 mills for the construction and renovation of School District buildings and a tax levy of .5 mills for facilities maintenance. The bond levies are for twenty-eight years and the tax levy is for twenty-three years.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2006**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education</i>						
Nutrition Cluster:						
Special Breakfast Program	045641-05PU-2006	10.553	\$ 7,610		\$ 7,610	
	045641-05PU-2005		862		862	
			<u>8,472</u>		<u>8,472</u>	
National School Lunch Program	045641-LLP4-2006	10.555	<u>163,468</u>		<u>163,468</u>	
Total Nutrition Cluster			171,940		171,940	
Food Distribution Program	N/A	10.550		<u>\$ 64,410</u>		<u>\$ 64,410</u>
Total U.S. Department of Agriculture			<u>171,940</u>	<u>64,410</u>	<u>171,940</u>	<u>64,410</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education</i>						
Title I - Grants to Local Educational Agencies	045641-C1S1-2006	84.010	124,976		122,168	
	045641-C1S1-2005		6,751		11,286	
			<u>131,727</u>		<u>133,454</u>	
Special Education Cluster:						
Special Education - Grants to States	045641-6BSF-2006	84.027	361,626		366,090	
	045641-6BSF-2005		30,951		24,970	
			<u>392,577</u>		<u>391,060</u>	
Special Education Preschool	045641-PGS1-2006	84.173	10,434		9,965	
	045641-PGS1-2005		1,494		1,052	
			<u>11,928</u>		<u>11,017</u>	
Total Special Education Cluster			404,505		402,077	
Drug Free Schools Grant	045641-DRS1-2006	84.186	5,415		5,771	
Title V- Innovative Program Grant	045641-C2S1-2006	84.298	5,645		5,645	
Title IID - Education Technology Grant	045641-TJS1-2006	84.318	2,426		2,426	
			403		403	
			<u>2,829</u>		<u>2,829</u>	
Title II Part A- Improving Teacher Quality Grant	045641-TRS1-2006	84.367	54,963		54,963	
	045641-TRS1-2005		6,821		5,081	
			<u>61,784</u>		<u>60,044</u>	
Total U.S. Department of Education			<u>611,905</u>		<u>609,820</u>	
Total			<u><u>\$783,845</u></u>	<u><u>\$64,410</u></u>	<u><u>\$781,760</u></u>	<u><u>\$64,410</u></u>

The accompanying notes are an integral part of this schedule.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2006**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio (the District) as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

Wauseon Exempted Village School District
Fulton County
Independent Accountant's Report on Internal Control Over Financial
Reporting and on Compliance and Other Matters Required
By *Government Auditing Standards*
Page 2

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

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

Mary Taylor, CPA
Auditor of State

May 7, 2007



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wauseon Exempted Village School District, Fulton County, Ohio (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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



Mary Taylor, CPA
Auditor of State

May 7, 2007

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster Special Education Grants to States CFDA# 84.027 and Special Education Preschool 84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None



Mary Taylor, CPA
Auditor of State

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 12, 2007**