

**WESTERN RESERVE LOCAL  
SCHOOL DISTRICT  
HURON COUNTY, OHIO**

***GENERAL PURPOSE FINANCIAL STATEMENTS  
(AUDITED)  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2000***

**DIANE WOLF, TREASURER**



**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**  
JIM PETRO, AUDITOR OF STATE

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Board of Education  
Western Reserve Local School District  
28 River Street  
Wakeman, Oh 44889

We have reviewed the Independent Auditor's Report of the Western Reserve Local School District, Huron County, prepared by Trimble, Julian, & Grube, Inc., for the audit period July 1, 1999 to June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

January 2, 2001

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report .....	1
Combined Balance Sheet - All Fund Types and Account Groups .....	2 - 3
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types and Expendable Trust Fund .....	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types .....	5
Combined Statement of Revenues, Expenses and Changes in (Accumulated Deficit)/ Retained Earnings and Fund Balance - Proprietary Fund Type and Nonexpendable Trust Fund .....	6
Combined Statement of Cash Flows - Proprietary Fund Type and Nonexpendable Trust Fund. ....	7
Notes to the General Purpose Financial Statements. ....	8 - 48
Report on Compliance and on Internal Control Required By <i>Government Auditing Standards</i> . ....	49 - 50
Schedule of Findings .....	51 - 52
Status of Prior Audit Findings .....	53

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## Independent Auditor's Report

Board of Education  
Western Reserve Local School District  
28 River Street  
Wakeman, Ohio 44889

We have audited the accompanying general purpose financial statements of the Western Reserve Local School District, Huron County, (the "District") as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Western Reserve Local School District, Huron County, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2000, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Trimble, Julian & Grube, Inc.  
November 4, 2000

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service			Capital Projects	Enterprise	Trust and Agency		General	Long-Term Obligations
										Fixed Assets	
<b>ASSETS AND OTHER DEBITS</b>											
<b>ASSETS:</b>											
Equity in pooled cash and cash equivalents . . . . .	\$977,722	\$169,682	\$132,628	\$4,596,000	\$36,463	\$36,430			\$5,948,925		
Equity in pooled cash and cash equivalents - nonexpendable trust fund . . . . .						56,974			56,974		
Receivables (net of allowances of uncollectibles):											
Taxes - current and delinquent . . . . .	2,076,380		251,869	37,481	202				2,365,730		
Accounts . . . . .	6,388								6,590		
Accrued interest . . . . .	37,011								37,011		
Due from other governments . . . . .	194								194		
Prepayments . . . . .	6,898				17,982				6,898		
Materials and supplies inventory . . . . .									17,982		
Restricted assets:											
Equity in pooled cash and cash equivalents . . . . .	182,389								182,389		
Property, plant and equipment (net of accumulated depreciation where applicable) . . . . .					8,441		\$5,748,739		5,757,180		
<b>OTHER DEBITS:</b>								\$173,362	173,362		
Amount available in Debt Service Fund . . . . .								4,264,031	4,264,031		
Amount to be provided for retirement of General Long-Term Obligations . . . . .					\$63,088	\$93,404	\$5,748,739	\$4,437,393	\$18,817,266		
Total assets and other debits . . . . .	\$3,286,982	\$169,682	\$384,497	\$4,633,481	\$63,088	\$93,404	\$5,748,739	\$4,437,393	\$18,817,266		

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups			Total (Memorandum Only)		
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency	General		General	Long-Term Obligations
									Fixed Assets		Long-Term Obligations	
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>												
<b>LIABILITIES:</b>												
Accounts payable . . . . .	\$118,663	\$20,042		\$55,835	\$1,523						\$196,063	
Accrued wages and benefits . . . . .	542,625	14,649			18,800						576,074	
Compensated absences payable . . . . .	23,011				3,990				\$585,993		612,994	
Pension obligation payable . . . . .	100,280				9,503				49,924		159,707	
Due to other governments . . . . .	17,150										17,150	
Deferred revenue . . . . .	1,338,711		\$204,636	30,453	1,207						1,575,007	
Accrued interest payable . . . . .			6,499								6,499	
Due to students . . . . .						\$36,428					36,428	
Obligation under capital lease . . . . .									26,346		26,346	
Energy conservation bonds payable . . . . .									412,300		412,300	
General obligation bonds payable . . . . .									3,362,830		3,362,830	
<b>Total liabilities . . . . .</b>	<b>2,140,440</b>	<b>34,691</b>	<b>211,135</b>	<b>86,288</b>	<b>35,023</b>	<b>36,428</b>	<b>-</b>	<b>-</b>	<b>4,437,393</b>	<b>-</b>	<b>6,981,398</b>	
<b>EQUITY AND OTHER CREDITS:</b>												
Investment in general fixed assets . . . . .							\$5,748,739				5,748,739	
Contributed capital . . . . .										3,262	3,262	
Retained earnings - unreserved . . . . .											24,803	
<b>Fund balances:</b>												
Reserved for encumbrances . . . . .	301,761	500		14,215							316,476	
Reserved for prepayments . . . . .	6,898										6,898	
Reserved for debt service . . . . .			126,129								126,129	
Reserved for tax revenue unavailable for appropriation . . . . .	282,347		47,233	7,028							336,608	
Reserved for principal endowment . . . . .						41,468					41,468	
Reserved for budget stabilization . . . . .	142,173										142,173	
Reserved for instructional materials . . . . .	27,388										27,388	
Reserved for capital maintenance . . . . .	12,828										12,828	
Reserved for scholarships . . . . .						15,506					15,506	
Designated for budget stabilization . . . . .	182,827										182,827	
Unreserved-undesignated . . . . .	190,320	134,491		4,525,950		2					4,850,763	
<b>Total equity and other credits . . . . .</b>	<b>1,146,542</b>	<b>134,991</b>	<b>173,362</b>	<b>4,547,193</b>	<b>28,065</b>	<b>56,976</b>	<b>5,748,739</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,835,868</b>	
<b>Total liabilities, equity and other credits . . . . .</b>	<b>\$3,286,982</b>	<b>\$169,682</b>	<b>\$384,497</b>	<b>\$4,633,481</b>	<b>\$63,088</b>	<b>\$93,404</b>	<b>\$5,748,739</b>	<b>\$4,437,393</b>	<b>\$4,437,393</b>	<b>\$18,817,266</b>	<b>\$18,817,266</b>	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES  
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Revenues:</b>						
From local sources:						
Taxes . . . . .	\$2,854,019		\$162,386	\$24,613		\$3,041,018
Earnings on investments . . . . .	127,915					127,915
Other local revenues . . . . .	36,192	\$191,906		10,498		238,596
Other revenue . . . . .		5,500				5,500
Intergovernmental - State . . . . .	4,276,099	91,413	13,520	1,185,022		5,566,054
Intergovernmental - Federal . . . . .		92,620				92,620
<b>Total revenues.</b> . . . .	<b>7,294,225</b>	<b>381,439</b>	<b>175,906</b>	<b>1,220,133</b>	<b>-</b>	<b>9,071,703</b>
<b>Expenditures:</b>						
Current:						
Instruction:						
Regular. . . . .	3,211,111	59,569		63,617		3,334,297
Special . . . . .	593,594	197,395				790,989
Vocational . . . . .	128,673					128,673
Other . . . . .	61,947					61,947
Support services:						
Pupil. . . . .	228,129	6,496				234,625
Instructional staff . . . . .	418,331	3,791				422,122
Board of Education . . . . .	25,432					25,432
Administration . . . . .	619,125					619,125
Fiscal . . . . .	280,351			429		280,780
Business. . . . .	390					390
Operations and maintenance . . . . .	608,858			580,258		1,189,116
Pupil transportation . . . . .	418,476					418,476
Extracurricular activities . . . . .	92,624	192,295				284,919
Facilities services. . . . .				47,156		47,156
Capital outlay. . . . .	15,499					15,499
Debt service:						
Principal retirement. . . . .	15,218		58,900			74,118
Interest and fiscal charges . . . . .	3,575		94,667	74,670		172,912
<b>Total expenditures.</b> . . . .	<b>6,721,333</b>	<b>459,546</b>	<b>153,567</b>	<b>766,130</b>	<b>-</b>	<b>8,100,576</b>
Excess (deficiency) of revenues over (under) expenditures . . . . .	572,892	(78,107)	22,339	454,003	-	971,127
Other financing sources (uses):						
Operating transfers in . . . . .			82,356	405,488		487,844
Operating transfers out. . . . .	(493,144)					(493,144)
Proceeds of capital lease transaction. . . . .	15,499					15,499
Proceeds from the sale of bonds . . . . .			68,321	3,361,000		3,429,321
Proceeds from sale of assets . . . . .	903					903
<b>Total other financing sources (uses)</b> . . . .	<b>(476,742)</b>	<b>-</b>	<b>150,677</b>	<b>3,766,488</b>	<b>-</b>	<b>3,440,423</b>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses. . . . .	96,150	(78,107)	173,016	4,220,491	\$0	4,411,550
Fund balances, July 1, 1999 . . . . .	1,050,392	213,098	346	326,702	2	1,590,540
Fund balances, June 30, 2000 . . . . .	<u>\$1,146,542</u>	<u>\$134,991</u>	<u>\$173,362</u>	<u>\$4,547,193</u>	<u>\$2</u>	<u>\$6,002,090</u>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	General Fund			Special Revenue			Debt Service			Capital Projects			Total (Memorandum only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
<b>Revenues:</b>															
From local sources:															
Taxes.....	\$2,517,200	\$2,784,327	\$267,127				\$0	\$115,153	\$115,153	\$131	\$17,585	\$17,454	\$2,517,331	\$2,917,065	\$399,734
Earnings on investments.....	113,400	112,208	(1,192)							41	5,488	5,447	113,441	117,696	4,255
Other local revenues.....	21,000	25,678	4,678	\$498,543	\$191,907	(\$306,636)				78	10,499	10,421	519,621	228,084	(291,537)
Other revenue.....		14,321	14,321		5,500	(8,821)							14,321	5,500	(8,821)
Intergovernmental - State.....	4,332,300	4,275,905	(56,395)	237,330	91,413	(146,117)	0	13,520	13,520	8,785	1,185,022	1,176,237	4,578,615	5,565,860	987,245
Intergovernmental - Federal.....				539,831	207,827	(332,004)							539,831	207,827	(332,004)
Total revenues.....	6,983,900	7,198,118	214,218	1,290,225	496,647	(793,578)	0	128,673	128,673	9,035	1,218,594	1,209,559	8,283,160	9,042,032	758,872
<b>Expenditures:</b>															
Current:															
Instruction:															
Regular.....	3,183,443	3,225,492	(42,049)	13,088	44,830	(31,742)				33,269	12,388	20,881	3,229,800	3,282,710	(52,910)
Special.....	688,779	592,825	95,954	72,523	199,946	(127,423)							761,302	792,771	(31,469)
Vocational.....	109,806	124,223	(14,417)										109,806	124,223	(14,417)
Other.....	91,185	62,927	28,258										91,185	62,927	28,258
Support services:															
Pupil.....	219,207	227,992	(8,785)										219,207	227,992	(8,785)
Instructional staff.....	364,060	417,356	(53,296)										364,060	417,356	(53,296)
Board of Education.....	22,350	24,568	(2,218)	215	0	215							22,350	24,568	(2,218)
Administration.....	579,240	646,562	(67,322)										579,240	646,562	(67,322)
Fiscal.....	253,500	270,922	(17,422)							0	429	(429)	253,500	271,351	(17,851)
Business.....	100	391	(291)										100	391	(291)
Operations and maintenance.....	609,600	593,275	16,325										609,600	593,275	16,325
Pupil transportation.....	648,000	708,696	(60,696)										648,000	708,696	(60,696)
Extracurricular activities.....	99,700	92,314	7,386	230,650	196,754	33,896							330,350	289,068	41,282
Facilities acquisition & construction.....										0	46,807	(46,807)		46,807	(46,807)
Debt service:															
Principal retirement.....	58,900	58,900	0				0	3,361,000	(3,361,000)				58,900	3,419,900	(3,361,000)
Interest and fiscal charges.....	23,600	23,456	144				0	2,890	(2,890)				23,600	26,346	(2,746)
Total expenditures.....	6,951,470	7,069,899	(118,429)	3,16,476	441,530	(125,054)	0	3,363,890	(3,363,890)	580,305	684,585	(104,280)	7,848,251	11,559,904	(3,711,653)
Excess (deficiency) of revenues over (under) expenditures.....	32,430	128,219	95,789	973,749	55,117	(918,632)	0	(3,235,217)	(3,235,217)	(571,270)	534,009	1,105,279	434,909	(2,517,872)	(2,952,781)
Other financing sources (uses):															
Refund of prior year's expenditures.....	15,400	14,873	(527)										15,400	14,873	(527)
Proceeds of notes.....							0	3,361,000	3,361,000				0	3,361,000	3,361,000
Advance in.....	0	15,300	15,300				0	3,361,000	3,361,000				0	3,361,000	3,361,000
Advance out.....	(10,000)	0	10,000										(10,000)	0	10,000
Operating transfers in.....	(305,300)	(405,300)	(100,000)							2,965	400,000	397,035	(305,300)	(405,300)	(100,000)
Operating transfers (out).....	700	902	(202)										700	902	(202)
Proceeds of sale of fixed assets.....															
Total other financing sources (uses).....	(299,200)	(374,225)	(75,025)	0	0	0	0	6,722,000	6,722,000	2,965	400,000	397,035	(296,235)	6,747,775	7,044,010
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(266,770)	(246,006)	20,764	973,749	55,117	(918,632)	0	3,486,783	3,486,783	(508,305)	934,009	1,502,314	138,674	4,229,903	4,091,229
Fund balances, July 1, 1999.....	1,113,892	1,109,173	(4,719)	113,515	113,515	0	346	346	0	350,003	350,003	0	1,577,756	1,573,037	(4,719)
Prior year encumbrances appropriated.....	627	627	0	550	550	0	0	0	0	7,327	7,327	0	8,504	8,504	0
Fund balances, June 30, 2000.....	\$847,749	\$863,794	\$16,045	\$1,087,814	\$169,182	(\$918,632)	\$346	\$3,487,129	\$3,486,783	(\$210,975)	\$1,291,539	\$1,502,314	\$1,724,934	\$5,811,444	\$4,086,510

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF REVENUES, EXPENSES,  
 AND CHANGES IN (ACCUMULATED DEFICIT)/RETAINED EARNINGS AND FUND BALANCE  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	Proprietary Fund Type	Fiduciary Fund Type	Total (Memorandum Only)
	Enterprise	Nonexpendable Trust	
Operating revenues:			
Tuition and fees . . . . .	\$42,406		\$42,406
Sales/charges for services . . . . .	208,027		208,027
Investment earnings . . . . .		\$2,877	2,877
Other operating revenues. . . . .		3,898	3,898
	<hr/>	<hr/>	<hr/>
Total operating revenues . . . . .	250,433	6,775	257,208
	<hr/>	<hr/>	<hr/>
Operating expenses:			
Personal services . . . . .	151,643		151,643
Contract services . . . . .	7,517		7,517
Materials and supplies . . . . .	166,406		166,406
Depreciation . . . . .	563		563
Other operating expenses. . . . .		1,690	1,690
	<hr/>	<hr/>	<hr/>
Total operating expenses . . . . .	326,129	1,690	327,819
	<hr/>	<hr/>	<hr/>
Operating income (loss) . . . . .	(75,696)	5,085	(70,611)
	<hr/>	<hr/>	<hr/>
Nonoperating revenues:			
Operating grants . . . . .	72,625		72,625
Investment earnings . . . . .	2,211		2,211
Federal commodities . . . . .	32,855		32,855
	<hr/>	<hr/>	<hr/>
Total nonoperating revenues . . . . .	107,691	-	107,691
	<hr/>	<hr/>	<hr/>
Net income before operating transfers. . . . .	31,995	5,085	37,080
	<hr/>	<hr/>	<hr/>
Operating transfers in . . . . .	5,300		5,300
	<hr/>	<hr/>	<hr/>
Net income . . . . .	37,295	5,085	42,380
	<hr/>	<hr/>	<hr/>
Addback of depreciation on fixed assets acquired from contributed capital . . . . .	182		182
	<hr/>	<hr/>	<hr/>
(Accumulated deficit)/Fund balance July 1, 1999 . . . . .	(12,674)	51,889	39,215
	<hr/>	<hr/>	<hr/>
Retained earnings/Fund balance June 30, 2000 . . . . .	\$24,803	\$56,974	\$81,777
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT**  
**HURON COUNTY, OHIO**  
 COMBINED STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2000

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Total (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Nonexpendable Trust</u>	
Cash flows from operating activities:			
Cash received from tuition and fees . . . . .	\$42,283		\$42,283
Cash received from sales/service charges . . . . .	208,027		208,027
Cash received from other operations . . . . .		\$3,898	3,898
Cash payments for personal services . . . . .	(153,596)		(153,596)
Cash payments for contract services . . . . .	(7,517)		(7,517)
Cash payments for supplies and materials . . . . .	(145,194)		(145,194)
Cash payments for other operations . . . . .		(1,690)	(1,690)
Net cash provided by (used in) operating activities . . . . .	<u>(55,997)</u>	<u>2,208</u>	<u>(53,789)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants . . . . .	81,752		81,752
Cash received from transfers in . . . . .	5,300		5,300
Cash used for repayment of interfund loans. . . . .	(15,300)		(15,300)
Net cash provided by noncapital financing activities . . . . .	<u>71,752</u>	<u>-</u>	<u>71,752</u>
Cash flows from investing activities:			
Interest received. . . . .	<u>2,211</u>	<u>2,877</u>	<u>5,088</u>
Net cash provided by investing activities . . . . .	<u>2,211</u>	<u>2,877</u>	<u>5,088</u>
Net increase in cash and cash equivalents. . . . .	17,966	5,085	23,051
Cash and cash equivalents at beginning of year . . . . .	18,497	51,889	70,386
Cash and cash equivalents at end of year . . . . .	<u>\$36,463</u>	<u>\$56,974</u>	<u>\$93,437</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss). . . . .	(\$75,696)	\$5,085	(\$70,611)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation . . . . .	563		563
Federal donated commodities . . . . .	32,855		32,855
Interest reported as operating income . . . . .		(2,877)	(2,877)
Changes in assets and liabilities:			
Increase in supplies inventory . . . . .	(10,118)		(10,118)
Increase in accounts receivable . . . . .	(123)		(123)
Decrease in accounts payable . . . . .	(693)		(693)
Decrease in accrued wages & benefits. . . . .	(1,432)		(1,432)
Increase in compensated absences payable . . . . .	410		410
Decrease in pension obligation payable . . . . .	(931)		(931)
Decrease in deferred revenue . . . . .	(832)		(832)
Net cash provided by (used in) operating activities . . . . .	<u>(\$55,997)</u>	<u>\$2,208</u>	<u>(\$53,789)</u>

E NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

The Western Reserve Local School District (the "District") is a local school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected five member Board of Education and is responsible for providing public education to the residents of the District.

The District ranks as the 420<sup>th</sup> largest by total enrollment among the 660 public and community school districts in the State. It currently operates four instructional facilities. The District employs 51 non-certified and 91 certified employees to provide services to approximately 1,284 students in grades K through 12 and various community groups.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The District's reporting entity has been defined in accordance with GASB Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District. Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization or the District is obligated for the debt of the organization.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes for the organization. The financial statements of the reporting entity include only those of the District (the primary government). The District has no component units. The following organizations are described due to their relationship to the District.

*JOINT VENTURE WITHOUT EQUITY INTEREST:*

Northern Ohio Educational Computer Association (NOECA)

NOECA is a joint venture among 38 school districts. The joint venture was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports NOECA based upon a per pupil charge dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last twelve months financial contributions. NOECA is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have an equity interest in NOECA as the residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest. Financial information can be obtained from Betty J. Schwiefert, Treasurer for the Erie-Huron-Ottawa County Educational Service Center, who serves as fiscal agent, at 2900 S. Columbus Avenue, Sandusky, Ohio 44870-5569.

*JOINTLY GOVERNED ORGANIZATION:*

Bay Area Council of Governments

The Bay Area Council of Governments consists of twenty-six school districts representing seven counties (Crawford, Erie, Huron, Ottawa, Sandusky, Seneca, and Wood). This jointly governed organization was formed for the purpose of purchasing goods and services at a lower cost. The items currently being purchased through Bay Area are natural gas and insurance. The only cost to the districts is an administrative charge if they purchase something through the Council. The Bay Area Council of Governments consists of the superintendent of each school district. The Board of Directors consists of one elected representative from each county, and the superintendent of the fiscal agent, and two non-voting members (administrator and fiscal officer).

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Members of the Board serve two-year terms which are staggered. Financial information can be obtained by contacting Betty Schwiefert, who serves as fiscal officer, at 2900 South Columbus Avenue, Sandusky, Ohio, 44870.

**B. Fund Accounting**

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: Governmental, Proprietary and Fiduciary. Each category is divided into separate fund types.

*GOVERNMENTAL FUNDS*

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in Proprietary funds) are accounted for through Governmental funds. The following are the District's governmental fund types:

*General Fund* - The general fund is the general operating fund of the School District and 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 District for any purpose, provided it is expended or transferred in accordance with applicable Ohio statute.

*Special Revenue Funds* - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

*Debt Service Fund* - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Capital Projects Funds* - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

***PROPRIETARY FUNDS***

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

*Enterprise Funds* - The enterprise funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

***FIDUCIARY FUNDS***

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include a nonexpendable trust fund, an expendable trust fund and an agency fund. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds. The expendable trust fund is accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual.

***ACCOUNT GROUPS***

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds and nonexpendable trust funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds and nonexpendable trust funds.

**C. Measurement Focus/Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

All proprietary funds and the nonexpendable trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, tuition, grants and entitlements (to the extent they are intended to finance the current fiscal year), and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) and amounts available as an advance on future tax settlements are recognized as revenue at year-end. Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

The proprietary fund type and the nonexpendable trust fund are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenues.

**D. Budgets**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The specific timetable for fiscal year 2000 is as follows:



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the board-adopted budget is filed with the Huron County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. All funds, other than Agency funds, are legally required to be budgeted and appropriated. Short-term interfund loans are not required to be budgeted since they represent a temporary cash flow resource, and are intended to be repaid.
6. Any revisions that alter the total of any fund appropriation or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

7. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions.
8. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the District during fiscal 2000 in the following amounts:

	Increase
General fund	\$ 187,729
Special Revenue funds	316,475
Capital Projects funds	533,269
Enterprise funds	58,200
Nonexpendable Trust fund	3,600
Total	\$1,099,273

9. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund, function and/or object level.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For Governmental Fund Types, encumbrances outstanding at year end, not recognized as accounts payable, appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 18 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for Enterprise funds are disclosed in Note 15 to the financial statements.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Cash and Investments**

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) on the combined balance sheet.

During 2000, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), U.S. Treasury Notes, Federal Agency securities, repurchase agreements, and a money market mutual fund.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as non-negotiable certificates of deposit or repurchase agreements are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

Calculation of the Net Increase in the Fair Value of Investments - Aggregate Method

	<u>General Fund</u>
Fair value at June 30, 2000	\$ 3,966,321
Less: Purchase of investments in fiscal 2000	<u>(3,985,328)</u>
Change in fair value of investments	<u>\$ (19,007)</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Food Service enterprise fund receives interest earnings based upon Federal mandate. Interest revenue credited to the general fund during fiscal 2000 amounted to \$127,915 which includes \$90,507 assigned from other District funds.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

**F. Inventory**

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

**G. Fixed Assets and Depreciation**

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. 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. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Buildings	25 - 50
Furniture, Fixtures and Equipment	15 - 20
Vehicles	4 - 6

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**H. Intergovernmental Revenues**

In governmental funds, intergovernmental revenues such as entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations (excluding commodities) are recognized as non-operating revenues in the accounting period in which they are measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program  
State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Fund

State Property Tax Relief

Reimbursable Grants

General Fund

Driver Education  
Vocational Education  
Travel/Salary

Proprietary Funds

National School Lunch Program  
National School Breakfast Program

Non-Reimbursable Grants

Special Revenue Funds

Disadvantaged Pupil Program  
Drug Free Schools  
Management Information Systems  
Title VI-B  
Title I  
Title VI  
Teacher Development  
Ohio Reads  
School Improvement Incentive  
Instructional Materials Subsidy  
Data Communication

Non-Reimbursable Grants - (cont'd)

Capital Projects Fund

SchoolNet  
Technology Equity  
Classroom Facilities  
Emergency School Building Repairs

Grants and entitlements amounted to over 60% of the District's operating revenue during the 2000 fiscal year.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**I. Contributed Capital**

Contributed capital reported in the enterprise funds represent resources provided from other funds, other governments, and private sources that is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expenses and closed to contributed capital at year end. The amount of depreciation is then “added back” to retained earnings, because the cost of providing services in the Enterprise funds does not include depreciation expense on amounts of contributed capital. See Note 10 for the change in contributed capital during fiscal year 2000.

**J. Interfund Transactions**

Transactions between funds during the course of normal operations may occur. The most significant may include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of Agency funds, which do not report transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund.
3. Short-term interfund loans made pursuant to Board of Education resolution are reflected as “interfund loans receivable or payable.” Such interfund loans are repaid in the following fiscal year.
4. Quasi-external transactions are similar to the purchase of goods or services from a vendor; i.e., the fund which provides a service records revenue, and the fund which receives that service records an expenditure/expense.
5. Residual equity transfers are non-recurring or non-routine permanent transfers of equity, generally made when a fund is closed.
6. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

An analysis of the District's interfund transactions for fiscal year 2000 is presented in Note 5.

**K. Compensated Absences**

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty (50) or greater with at least ten (10) years of service and all employees with at least twenty (20) years of service at any age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**L. Long-Term Obligations**

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**M. Fund Equity**

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, prepayments, debt service, tax revenue unavailable for appropriation, budget stabilization, instructional materials and capital maintenance. In addition, although the nonexpendable trust fund uses the total economic resources measurement focus, the fund equity is reserved for the amount of the principal endowment, and for available cash from which student scholarship awards will be made. The reserve for property taxes represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds

**N. Discounts, Premiums and Issuance Costs**

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures.



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**O. Statutory Reserves**

The District is required by state law to set aside certain (cash-basis) General fund revenue amounts, as defined by statute, into various reserves. During the fiscal year ended June 30, 2000, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 1999	\$ 16,676	\$ 1,860	\$325,000
Current year set-aside requirement	160,723	160,723	---
Qualifying disbursements	<u>(150,011)</u>	<u>(149,755)</u>	<u>---</u>
Total	<u>27,388</u>	<u>12,828</u>	<u>325,000</u>
Cash balance carried forward to FY 2001	<u>\$ 27,388</u>	<u>\$ 12,828</u>	<u>\$325,000</u>

The District set aside more than was statutorily required for its budget stabilization reserve during fiscal 1999; therefore, no additional amount is required to be set-aside for fiscal 2000. This additional amount, \$182,827, has been reported on the combined balance sheet as a designation of fund equity.

A schedule of the restricted assets at June 30, 2000 follows:

Amount restricted for instructional materials	\$ 27,388
Amount restricted for capital maintenance	12,828
Amount restricted for budget stabilization	<u>142,173</u>
Total restricted assets	<u>\$182,389</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**P. Prepayments**

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

**Q. Statement of Cash Flows**

In September 1989, GASB issued Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds in Governmental Entities That Use Proprietary Fund Accounting. The District has presented a statement of cash flows for its proprietary and nonexpendable trust fund. For purposes of the statement of cash flows, the District considers cash equivalents to include all short term investments (maturity of 90 days or less from date of purchase).

**R. Financial Reporting for Proprietary and Similar Fund Types**

The District's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. The District accounts for its Proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

**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.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**T. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization and other reserves. These reserves are required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction and/or for statutorily-specified purposes. Fund balance reserves have also been established. See Note 2. O. for statutory reserves.

**U. Memorandum Only - Total Columns**

Total columns on the General Purpose Financial Statements are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER FUND DISCLOSURES**

**A. Accountability and Compliance**

In accordance with the Ohio Revised Code Section 5704.41 (B) the following funds had expenditures plus encumbrances in excess of appropriations for the fiscal year ended June 30, 2000:

<u>Fund Type/ Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>			
Regular Instruction	\$3,183,443	\$3,225,492	\$(42,049)
Vocational Instruction	109,806	124,223	(14,417)
Pupils	219,207	227,992	(8,785)
Instructional Staff	364,060	417,356	(53,296)
Board of Education	22,350	24,568	(2,218)
Administration	579,240	646,562	(67,322)
Fiscal Services	253,500	270,922	(17,422)
Business	100	391	(291)
Pupil Transportation	648,000	708,696	(60,696)
Transfers	305,300	405,300	(100,000)

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER  
FUND DISCLOSURES - (Continued)**

<u>Fund Type/ Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>Special Revenue</u>			
Disadvantaged Pupil Fund			
Regular Instruction	\$ 0	\$ 6,845	\$ (6,845)
Professional Development			
Regular Instruction	500	6,053	(5,553)
EMIS			
Special Instruction	1,563	5,000	(3,437)
Tech Equity			
Regular Instruction	0	5,300	(5,300)
Textbook Subsidy			
Regular Instruction	9,033	16,593	(7,560)
Ohio Reads			
Special Instruction	30,000	38,087	(8,087)
School Improvements/Report Cards			
Regular Instruction	0	1,420	(1,420)
Miscellaneous State Grants			
Regular Instruction	0	2,867	(2,867)
Title VI-B			
Special Instruction	20,880	67,783	(46,903)
Title I			
Special Instruction	20,081	89,075	(68,994)
Drug Free Grant			
Regular Instruction	0	6,407	(6,407)
LSTA Library Grant			
Regular Instruction	382	1,460	(1,078)
<u>Debt Service</u>			
Debt Service			
Debt Service-Interest and Fiscal Charges	0	2,890	(2,890)
<u>Capital Projects</u>			
Permanent Improvements			
Operations & Maintenance	51,231	129,562	(78,331)
Classroom Facilities			
Facilities Acquisition & Construction	0	46,807	(46,807)
<u>Enterprise</u>			
Food Service			
Contractual Services	5,000	7,517	(2,517)
Supplies and Materials	100,000	103,847	(3,847)

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values for all funds except the Enterprise Food Service fund which is disclosed at the object level.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER  
FUND DISCLOSURES - (Continued)**

Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balances</u>
<u>Special Revenue Fund</u>	
Title I	\$(10,964)
<u>Capital Project Fund</u>	
Emergency School Building Repairs	(45,399)

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30.

These funds complied with Ohio state law which does not allow a cash deficit at year end.

The deficit fund balances in the Title I special revenue fund and Emergency School Building Repairs capital project fund are a result of accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by user charges and intergovernmental revenues not recognized at June 30.

**B. Agency Funds**

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

<u>ASSETS</u>	
Accounts receivable	\$610

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 3 - CHANGES IN FINANCIAL STATEMENT PRESENTATION AND OTHER  
FUND DISCLOSURES - (Continued)**

**C. Prior Period Adjustment**

The District has presented a restatement of the general long-term obligations account group and the general fixed assets account group to properly reflect the respective present values of capitalized leases in each account group at July 1, 1999. The effect of each restatement is as follows:

	Balance as Previously Reported June 30, 1999	Adjustment	Restated Balance July 1, 1999
General Long - Term Obligations Account Group	\$1,051,588	\$26,065	\$1,077,653
General Fixed Assets Account Group	5,214,586	39,119	5,253,705

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS**

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

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the 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 two 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 accounts, including passbook accounts.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

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

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

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

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

*Deposits:* At year-end the carrying amount of the District's deposits was \$(143,494) and the bank balance was \$71,203 (both amounts are exclusive of payroll clearance accounts). A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank amounts. The bank balance covered by federal depository insurance.

*Investments:* The District's investments are required to be categorized to give an indication of the level of risk assumed by the District at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio and money market mutual funds are unclassified investments since they are not evidenced by securities that exist in physical or book entry form.



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 4 - EQUITY IN POOLED CASH AND CASH EQUIVALENTS - (Continued)**

	<u>Category 1</u>	<u>Category 3</u>	<u>Fair Value</u>
Repurchase Agreement		\$1,907,777	\$1,907,777
Federal Agency Securities	\$3,167,801		3,167,801
U. S. Treasury Notes	798,520		798,520
Not Subject to Categorization:			
Investment in State			
Treasurer's Investment Pool			272,376
Money Market Mutual Funds	_____	_____	<u>185,308</u>
Total Investments	<u>\$3,966,321</u>	<u>\$1,907,777</u>	<u>\$6,331,782</u>

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9 entitled, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Pooled Cash and Cash Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$ 6,188,288	\$ 0
Investments of the Cash		
Management Pool:		
Repurchase Agreement	(1,907,777)	1,907,777
Federal Agency Securities	(3,167,801)	3,167,801
U. S. Treasury Notes	(798,520)	798,520
State Treasurer's Investment Pool	(272,376)	272,376
Money Market Mutual Funds	<u>(185,308)</u>	<u>185,308</u>
GASB Statement No. 3	<u>\$ (143,494)</u>	<u>\$6,331,782</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		\$(493,144)
Debt Service Fund	\$ 82,356	
<u>Capital Projects Fund</u>		
Permanent Improvement	405,488	
<u>Enterprise Fund</u>		
Uniform School Supplies	<u>5,300</u>	<u>          </u>
Totals	<u><u>\$493,144</u></u>	<u><u>\$(493,144)</u></u>

**NOTE 6 - PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

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

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The first \$10,000 of assessed value is exempt from taxation. The District receives a state subsidy in lieu of tax revenue which would otherwise have been collected.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed value upon which the fiscal year 2000 taxes were collected were as follows:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$62,667,610	86.80	\$65,080,860	87.74
Public Utility Personal	4,463,490	6.20	4,037,390	5.44
Tangible Personal Property	5,033,460	7.00	5,057,630	6.82
	<u>\$72,164,560</u>	<u>100.00</u>	<u>\$74,175,880</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$26.60		\$26.60	
Debt Service			3.36	
Permanent Improvements			.50	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 30.

The Huron and Erie County Treasurers collect property tax on behalf of the District. The Huron and Erie County Auditors periodically remit to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 6 - PROPERTY TAXES - (Continued)**

Taxes available for advance and recognized as revenue but not received by the District prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited by law from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end. Available tax advances at June 30, 2000 totaled \$282,347 in the general fund, \$47,233 in the debt service fund and \$7,028 in the permanent improvement fund.

**NOTE 7 - SCHOOL DISTRICT INCOME TAX**

The voters of the District have passed two income tax levies. The first income tax levy was passed in May of 1990 and established a 3/4% income tax effective January 1, 1991, for an indefinite period of time. The second income tax levy was passed in March of 1996 and established an additional 1/2% income tax effective January 1, 1998 for an indefinite period of time. School district income tax revenue received by the general fund during fiscal year 2000 was \$1,293,029.

**NOTE 8 - RECEIVABLES**

Receivables at June 30, 2000 consisted of taxes, accounts (rent and student fees), interfunds and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,076,380
Accrued interest	37,011
<u>Debt Service Fund</u>	
Taxes - current and delinquent	251,869
<u>Capital Project Funds</u>	
Taxes - current and delinquent	37,481

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 9 - FIXED ASSETS**

A summary of the changes in the general fixed asset account group during the fiscal year follows:

	Restated Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2000</u>
Land/Improvements	\$ 64,241			\$ 64,241
Buildings/Improvements	2,772,234	\$347,697		3,119,931
Furniture/Equipment	1,713,342	89,025		1,802,367
Vehicles	703,888	11,505		715,393
Construction in progress	<u>                    </u>	<u>46,807</u>	<u>                    </u>	<u>46,807</u>
<b>Total</b>	<b><u>\$ 5,253,705</u></b>	<b><u>\$495,034</u></b>	<b><u>\$ - - -</u></b>	<b><u>\$5,748,739</u></b>

A summary of the enterprise funds' fixed assets at June 30, 2000 follows:

Furniture and equipment	\$ 80,782
Less: accumulated depreciation	<u>(72,341)</u>
Net fixed assets	<u>\$ 8,441</u>

Construction in progress at June 30, 2000 consisted of new building construction.

**NOTE 10 - CONTRIBUTED CAPITAL**

The following is a reconciliation of the change in the contributed capital for the Food Service fund:

Contributed Capital at Beginning of Year	\$3,444
Depreciation on Fixed Assets Acquired by Contributed Capital	<u>(182)</u>
Contributed Capital at End of Year	<u>\$3,262</u>

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 11 - CAPITALIZED LEASES - LESSEE DISCLOSURE**

In prior years, the District has entered into capitalized leases for the acquisition of copiers and video conference equipment. The terms of each agreement provide options to purchase the equipment. Each lease meets the criteria of a capital lease as defined by FASB Statement No. 13, Accounting for Leases, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term.

Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in the amount of \$54,618, which is equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2000 fiscal year totaled \$15,218. This amount is reflected as debt service principal retirement in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2000.

General Long-Term Obligations

<u>Year Ending June 30</u>	<u>Equipment</u>
2001	\$18,091
2002	4,627
2003	4,627
2004	<u>2,952</u>
Total future minimum lease payments	30,297
Less: Amount Representing Interest	<u>(3,951)</u>
Present Value of Future Minimum Lease Payments	<u>\$26,346</u>

The District does not have capitalized lease obligations after fiscal year 2003.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 12 - LONG-TERM DEBT**

- A. During fiscal year 1997, the District issued unvoted debt, in the form of energy conservation bonds to provide funds for high school and middle school capital improvements. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, the unmatured obligation of the District is accounted for in the general long-term obligations account group. Payments of principal and interest relating to this liability are recorded as expenditures in the debt service fund. The source of repayment is general operating funds of the District.
- B. During the current fiscal year, the District issued general obligation bonds to provide funds for the acquisition, construction, and furnishing of new buildings. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.36 mill bonded debt tax levy.

These bonds represent the amount of the construction project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC), as further detailed in Note 19.C. OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2000, the total estimated cost of the building project is \$19,255,157, of which OSFC will pay \$15,894,157.

In conjunction with the 3.36 mills which support the bond issue, the District also passed in fiscal 2000 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the capital projects funds.

This issue is comprised of both current interest bonds, par value \$3,265,000, and capital appreciation bonds, par value \$282,000. The average interest rate on the current interest bonds is 5.537%. The capital appreciation bonds mature on December 1, 2009 (effective interest 10.736%) and December 1, 2010 (effective interest 10.736%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2000 was \$96,000. Total accreted interest of \$1,830 has been included in the general long-term obligations account group at June 30, 2000. The current interest bonds maturing on or after December 1, 2010 are subject to early redemption at the sole option of the District, at the following redemption prices, plus accrued interest:

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 12 - LONG-TERM DEBT - (Continued)**

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2010 through November 30, 2011	102% of par
December 1, 2011 through November 30, 2011	101% of par
December 1, 2012 and thereafter	100% of par

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

- C. During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Group. Compensated absences and the pension benefit obligation will ultimately be paid from the fund from which the employee is paid.

	<u>Restated Balance July 1, 1999</u>	<u>Additions</u>	<u>(Deletions)</u>	<u>Balance June 30, 2000</u>
<u>General Obligation Bonds:</u>				
Series 1996, Energy Conservation 5.20%, 12/01/06 maturity	\$ 471,200		\$ (58,900)	\$ 412,300
Series 2000, Construction Current Interest Bonds 5.537%, 12/01/23 maturity		\$3,265,000		3,265,000
Series 2000, Construction Capital Appreciation Bonds 10.736% (average effective) 12/01/09 and 12/01/10 maturity		96,000		96,000
Series 2000, Construction Capital Appreciation Bonds Accreted Interest	_____	1,830	_____	1,830
Total General Obligation Bonds	471,200	3,362,830	(58,900)	3,775,130



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 12 - LONG-TERM DEBT - (Continued)**

	Restated Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>(Deletions)</u>	Balance <u>June 30, 2000</u>
<u>Other Obligations:</u>				
Compensated Absences	\$ 536,367	\$ 93,918	\$ (44,292)	\$ 585,993
Capital Lease Obligation	26,065	15,499	(15,218)	26,346
Pension Obligation Payable	<u>44,021</u>	<u>49,924</u>	<u>(44,021)</u>	<u>49,924</u>
Total Other Obligations	<u>606,453</u>	<u>159,341</u>	<u>(103,531)</u>	<u>662,263</u>
Total, All General Long-Term Liabilities	<u><u>\$1,077,653</u></u>	<u><u>\$3,522,171</u></u>	<u><u>\$(162,431)</u></u>	<u><u>\$4,437,393</u></u>

D. Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000 are as follows:

Fiscal Year Ending <u>June 30,</u>	Current Interest General Obligation Bonds	Capital Appreciation General Obligation Bonds	Energy Conservation Bonds	<u>Total</u>
2001	\$ 202,972		\$ 78,808	\$ 281,780
2002	238,640		75,745	314,385
2003	245,660		72,683	318,343
2004	252,095		69,620	321,715
2005	253,114		66,557	319,671
2006 - 2010	1,025,550	\$ 282,000	123,925	1,431,475
2011 - 2015	1,394,550			1,394,550
2016 - 2020	1,414,525			1,414,525
2021 - 2023	<u>1,135,606</u>			<u>1,135,606</u>
Total	6,162,712	282,000	487,338	6,932,050
Less: Interest	<u>(2,897,712)</u>	<u>(184,170)</u>	<u>(75,038)</u>	<u>(3,156,920)</u>
Total	<u><u>\$ 3,265,000</u></u>	<u><u>\$ 97,830</u></u>	<u><u>\$412,300</u></u>	<u><u>\$ 3,775,130</u></u>

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 12 - LONG-TERM DEBT - (Continued)**

The effects of these debt limitations at June 30, 2000 are a voted debt margin of \$3,486,361 (including available funds of \$173,362), an unvoted debt margin of \$74,176, and an unvoted energy conservation debt margin of \$255,283.

**NOTE 13 - BOND ANTICIPATION NOTE**

During fiscal 2000, the District issued a \$3,361,000 note in anticipation of the proceeds from the bond issue described in Note 12.B. Debt service activity for this note has been reported in the permanent improvements fund, which received the proceeds upon issuance.

The following is a description of the District's bond anticipation note activity for the year :

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Notes Outstanding 07/01/1999</u>	<u>Additions in 2000</u>	<u>Retired in 2000</u>	<u>Notes Outstanding 06/30/2000</u>
Bond							
Anticipation Note	4.65%	12/23/99	6/15/00	\$ 0	\$3,361,000	\$(3,361,000)	\$ 0
Total				<u>\$ 0</u>	<u>\$3,361,000</u>	<u>\$(3,361,000)</u>	<u>\$ 0</u>

**NOTE 14 - RISK MANAGEMENT**

**A. Comprehensive**

The 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 2000, the District has contracted with Nationwide Insurance Company to provide general liability and fleet coverage and the Indiana Insurance Company to provide building and contents coverage.

The District had the following coverages in effect for fiscal year 2000:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 2,000,000	\$ 0
Aggregate	5,000,000	0
Fleet:		
Comprehensive	1,000,000	50
Collision	1,000,000	250
Building and contents	10,412,524	500

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 14 - RISK MANAGEMENT - (Continued)**

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in amounts of insurance coverage from fiscal 1999.

**B. Health Benefits**

The District joined together with other area school districts to form the Erie-Huron School Employee Insurance Association, a public entity risk management and employee health benefits program for 14 member school districts. The District pays a monthly premium to the pool for health, life and dental insurance, including prescription coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums, and the pool will purchase stop-loss insurance policies through commercial companies to cover claims in excess of \$200,000 for any employee.

**C. OSBA Group Workers Compensation Rating Program**

For fiscal year 2000, the District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP.

Post employment health care is provided to plan participants or their beneficiaries through the respective retirement systems discussed in Note 17. As such, no funding provisions are required by the District.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 15 - SEGMENT INFORMATION - ENTERPRISE FUNDS**

The District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total</u>
Operating Revenue	\$208,027	\$42,406	\$250,433
Depreciation Expense	563		563
Operating Income (loss)	(76,728)	1,032	(75,696)
Non-operating Revenues:			
Operating Grants	72,625		72,625
Donated Federal Commodities	32,855		32,855
Operating Transfers In		5,300	5,300
Net Income (loss)	30,963	6,332	37,295
Net Working Capital	20,349	3,265	23,614
Total Assets	59,795	3,293	63,088
Long-Term Liabilities			
Payable from Fund Revenues	3,990		3,990
Contributed Capital	3,262		3,262
Total Fund Equity	24,800	3,265	28,065
Encumbrances Outstanding as of June 30, 2000	0	0	0

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS**

**A. SCHOOL EMPLOYEES RETIREMENT SYSTEM**

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides basic retirement and disability benefits, cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate, which was 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates of plan members and employers are established and may be amended by the School Employees Retirement Board, up to maximum amounts allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$144,373, \$111,440, and \$108,165, respectively; 60 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$58,086, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**B. STATE TEACHERS RETIREMENT SYSTEM**

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and 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 for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$496,262, \$468,792, and \$456,724, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$82,220, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

**C. SOCIAL SECURITY SYSTEM**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**NOTE 17 - POSTEMPLOYMENT BENEFITS**

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. Through June 30, 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$283,578 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999. As of July 1, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 17 - POSTEMPLOYMENT BENEFITS - (Continued)**

For this fiscal year, employer contributions to fund health care benefits were 8.45 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 2000, the minimum pay has been established at \$12,400. 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, 1999, were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 51,000 participants currently receiving health care benefits. For the District, the amount to fund health care benefits, including the surcharge, equaled \$110,920 during the 2000 fiscal year.

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balance 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 and disbursements.

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types 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 that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the Governmental funds are as follows:

**Excess of Revenues and Other Financing  
Sources Over (Under) Expenditures and Other  
Financing Uses**

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$(246,006)	\$ 55,117	\$ 3,486,783	\$ 934,009
Net adjustment for revenue accruals	96,107	(115,208)	47,233	1,539
Net adjustment for expenditure accruals	46,293	(18,516)	3,210,323	(99,876)
Net adjustment for other sources/uses	(102,517)		(6,571,323)	3,366,488
Adjustment for encumbrances	<u>302,273</u>	<u>500</u>	<u>          </u>	<u>18,331</u>
GAAP basis	<u>\$ 96,150</u>	<u>\$ (78,107)</u>	<u>\$ 173,016</u>	<u>\$4,220,491</u>



**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 19 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

**B. Litigation**

The District is party to legal proceedings. The District management is of the opinion that ultimate disposition of these claims and legal proceedings will not have a material effect, if any, on the financial condition of the District.

**C. School Funding Decision**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$4,191,200 of school foundation total support for its General fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the District had received a total of \$679,522 under this program.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**NOTE 19 - CONTINGENCIES - (Continued)**

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the “thorough and efficient” clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, “...the mandate of the (Ohio) Constitution has not been fulfilled.” The Court’s majority recognized efforts by the Ohio General Assembly taken in response to the Court’s March 24, 1997, decision, however, it found seven “...major areas warrant further attention, study, and development by the General Assembly...,” including the State’s reliance on local property tax funding, the state’s basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State’s School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program (these programs) and on its financial operations.

**NOTE 20 - CONTRACTUAL COMMITMENT**

As of June 30, 2000, the following commitment, related to the construction project described in Note 12.B, was outstanding. Subsequent to the balance sheet date, the District anticipates awarding additional contracts.

<u>Vendor</u>	<u>Type of Services</u>	<u>Total Contract</u>	<u>Amount Paid</u>	<u>Remaining Commitment at 6/30/00</u>
Buehrer Group	Architect	\$1,017,500	\$46,807	\$970,693

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY, OHIO**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

**NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS**

The District employed Mr. Mark Gagyi as Superintendent of Schools, effective August 1, 2000.

On October 23, 2000, the District ratified a new three year labor contract with its certified employees. The anticipated cost to the District over the three year contract is an additional \$980,000.

# TRIMBLE, JULIAN & GRUBE, INC.

"SERVING OHIO LOCAL GOVERNMENTS"

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Board of Education  
Western Reserve Local School District  
28 River Street  
Wakeman, Ohio 44889

We have audited the general purpose financial statements of Western Reserve Local School District as of and for the year ended June 30, 2000, and have issued our report thereon dated November 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Western Reserve Local School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-47746-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of Western Reserve Local School District in a separate letter dated November 4, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western Reserve Local School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Western Reserve Local School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-47746-001.

Board of Education  
Western Reserve Local School District

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of Western Reserve Local School District in a separate letter dated November 4, 2000.

This report is intended for the information and use of the management and Board of Education of the Western Reserve Local School District, Huron County, and is not intended to be and should not be used by anyone other than these specified parties.

Trimble, Julian & Grube, Inc.  
November 4, 2000

**SCHEDULE OF FINDINGS**

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2000**

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

Finding Number	2000-47746-001
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Ohio Revised Code Section 5705.41 (B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the District had expenditures plus encumbrances in excess of appropriations in the following funds:

<u>Fund Type/ Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>General Fund</u>			
Regular Instruction	\$3,183,443	\$3,225,492	\$ (42,049)
Vocational Instruction	109,806	124,223	(14,417)
Pupils	219,207	227,992	(8,785)
Instructional Staff	364,060	417,356	(53,296)
Board of Education	22,350	24,568	(2,218)
Administration	579,240	646,562	(67,322)
Fiscal Services	253,500	270,922	(17,422)
Business	100	391	(291)
Pupil Transportation	648,000	708,696	(60,696)
Transfers	305,300	405,300	(100,000)
<u>Special Revenue</u>			
<u>Disadvantaged Pupil Fund</u>			
Regular Instruction	0	6,845	(6,845)
<u>Professional Development</u>			
Regular Instruction	500	6,053	(5,553)
<u>EMIS</u>			
Special Instruction	1,563	5,000	(3,437)
<u>Tech Equity</u>			
Regular Instruction	0	5,300	(5,300)
<u>Textbook Subsidy</u>			
Regular Instruction	9,033	16,593	(7,560)
<u>Ohio Reads</u>			
Special Instruction	30,000	38,087	(8,087)
<u>School Improvements/Report Cards</u>			
Regular Instruction	0	1,420	(1,420)
<u>Miscellaneous State Grants</u>			
Regular Instruction	0	2,867	(2,867)

**SCHEDULE OF FINDINGS**

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY  
JUNE 30, 2000**

**1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)**

<u>Fund Type/ Fund/ Function</u>	<u>Appropriations</u>	<u>Expenditures Plus Encumbrances</u>	<u>Excess</u>
<u>Title VI-B</u>			
Special Instruction	\$ 20,880	\$ 67,783	\$(46,903)
<u>Title I</u>			
Special Instruction	20,081	89,075	(68,994)
<u>Drug Free Grant</u>			
Regular Instruction	0	6,407	(6,407)
<u>LSTA Library Grant</u>			
Regular Instruction	382	1,460	(1,078)
 <u>Debt Service</u>			
<u>Debt Service</u>			
Debt Service-Interest and Fiscal Charges	0	2,890	(2,890)
 <u>Capital Projects</u>			
<u>Permanent Improvements</u>			
Operations & Maintenance	51,231	129,562	(78,331)
<u>Classroom Facilities</u>			
Facilities Acquisition & Construction	0	46,807	(46,807)
 <u>Enterprise</u>			
<u>Food Service</u>			
Contractual Services	5,000	7,517	(2,517)
Supplies and Materials	100,000	103,847	(3,847)

Disclosure is presented at the function level within the fund rather than at the object level within the fund due to the practicality of determining these values for all funds except the Enterprise Food Service fund which is disclosed at the object level.

With expenditures plus encumbrances exceeding appropriations, the District is unlawfully expending monies that have not been approved.

We recommend that the District comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis and making appropriation amendments as necessary.

**WESTERN RESERVE LOCAL SCHOOL DISTRICT  
HURON COUNTY  
STATUS OF PRIOR AUDIT FINDINGS  
JUNE 30, 2000**

<u><b>NONCOMPLIANCE</b></u>	<u><b>STATUS</b></u>	<u><b>EXPLANATION IF NOT FULLY IMPLEMENTED</b></u>
Section 5705.41 (B), Revised Code, requiring that all expenditures of money must be lawfully appropriated.	Not Corrected	The District is aware of this requirement and is attempting to monitor the appropriations and expenditures on a more regular basis.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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**WESTERN RESERVE LOCAL SCHOOL DISTRICT**

**HURON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 16, 2001**