

WATERLOO LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

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Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, Ohio 44201

We have reviewed the independent auditor's report of the Waterloo Local School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

March 27, 2002

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**WATERLOO LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2001**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

GENERAL PURPOSE FINANCIAL STATEMENTS

Combined Balance Sheet – All Fund Types and Account Groups	Exhibit 1
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	Exhibit 2
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) – All Governmental Fund Types	Exhibit 3
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Equity - Proprietary Fund Type	Exhibit 4
Statement of Cash Flows – Proprietary Fund Type	Exhibit 5
Notes to the General Purpose Financial Statements	1
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	39
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	41
Schedule of Expenditures of Federal Awards	43
Notes to the Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

We have audited the accompanying general purpose financial statements of the Waterloo Local School District (the District), as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose 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 Waterloo Local School District, as of June 30, 2001 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3A to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. This results in a change to the District's accounting for certain nonexchange revenues.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2002 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.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is stylized with a large initial "G" and a long horizontal line extending to the right.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

January 9, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary	Fiduciary	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General	General	
							Fixed Assets	Long-Term Obligations	
ASSETS AND OTHER DEBITS									
ASSETS:									
Equity in pooled cash and cash equivalents.	\$1,946,506	\$189,288	\$182,751	\$11,301,674	\$144,003	\$24,716			\$13,788,938
Cash with fiscal agent.			5,925						5,925
Receivables (net of allowances of uncollectibles):									
Property taxes - current & delinquent . .	2,947,125	275,036	916,643	174,976					4,313,780
Accounts	8,828	287		147,731					156,846
Accrued interest.	10,140	223			780				11,143
Interfund loan receivable.	160,308								160,308
Due from other governments.		30,476			10,196				40,672
Materials and supplies inventory.	12,369				14,298				26,667
Restricted assets:									
Equity in pooled cash and cash equivalents	38,202								38,202
Property, plant and equipment (net of accumulated depreciation where applicable).					26,806		\$8,620,304		8,647,110
OTHER DEBITS:									
Amount available in debt service fund. . .								\$232,525	232,525
Amount to be provided for retirement of general long-term obligations.								11,234,973	11,234,973
Total assets and other debits	\$5,123,478	\$495,310	\$1,105,319	\$11,624,381	\$196,083	\$24,716	\$8,620,304	\$11,467,498	\$38,657,089

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

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS									
LIABILITIES:									
Accounts payable	\$29,415	\$1,636		\$2,000	\$52				\$33,103
Accrued wages and benefits.	675,369	44,449			20,651				740,469
Compensated absences payable.	81,475				16,495		\$579,205		677,175
Pension obligation payable	118,152	6,132			8,429		67,134		199,847
Due to other governments.	5,219	100							5,319
Matured interest payable			\$5,925						5,925
Deferred revenue	2,797,369	267,541	866,869	165,855	11,830				4,109,464
Due to students						\$24,716			24,716
Interfund loan payable.		1,961		158,347					160,308
General obligation bonds payable.								10,718,967	10,718,967
Energy conservation notes payable.								76,058	76,058
Obligation under capital lease								26,134	26,134
Total liabilities	3,706,999	321,819	872,794	326,202	57,457	24,716		11,467,498	16,777,485
EQUITY AND OTHER CREDITS:									
Investment in general fixed assets.							\$8,620,304		8,620,304
Contributed capital.					15,962				15,962
Retained earnings: unreserved.					122,664				122,664
Fund balances:									
Reserved for encumbrances	339,644	45,266		283,530					668,440
Reserved for materials and supplies inventory	12,369								12,369
Reserved for debt service			182,751						182,751
Reserved for tax revenue unavailable for appropriation.	149,756	14,697	49,774	9,121					223,348
Reserved for BWC refund.	38,202								38,202
Unreserved-undesignated.	876,508	113,528		11,005,528					11,995,564
Total equity and other credits.	1,416,479	173,491	232,525	11,298,179	138,626		8,620,304		21,879,604
Total liabilities, equity and other credits	\$5,123,478	\$495,310	\$1,105,319	\$11,624,381	\$196,083	\$24,716	\$8,620,304	\$11,467,498	\$38,657,089

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
From local sources:					
Taxes	\$2,838,505	\$216,150	\$470,872	\$170,647	\$3,696,174
Tuition	14,886				14,886
Earnings on investments	153,153	2,525		352,647	508,325
Extracurricular		196,161			196,161
Other local revenues	45,152	8,158		2,866	56,176
Other revenue		4,000			4,000
Intergovernmental - State	5,223,979	260,559	46,328	339,706	5,870,572
Intergovernmental - Federal		289,348			289,348
Total revenues	8,275,675	976,901	517,200	865,866	10,635,642
Expenditures:					
Current:					
Instruction:					
Regular	3,825,016	240,430		57,632	4,123,078
Special	539,631	195,728			735,359
Vocational	102,671				102,671
Support services:					
Pupil	367,600	39,771			407,371
Instructional staff	435,117	17,501		6,000	458,618
Board of Education	20,589				20,589
Administration	723,919	55,287	1,103	273	780,582
Fiscal	224,917	3,295	6,141	2,727	237,080
Business	39,566				39,566
Operations and maintenance	766,245			2,000	768,245
Pupil transportation	799,939				799,939
Central	17,276	9,064		4,036	30,376
Community services		953			953
Extracurricular activities	141,635	156,157			297,792
Capital outlay	7,065			596,390	603,455
Intergovernmental pass-through		177,446			177,446
Debt service:					
Principal retirement	14,284		10,735,745		10,750,029
Interest and fiscal charges	2,372		273,522		275,894
Bond issuance costs			148,487		148,487
Total expenditures	8,027,842	895,632	11,164,998	669,058	20,757,530
Excess (deficiency) of revenues over (under) expenditures	247,833	81,269	(10,647,798)	196,808	(10,121,888)
Other financing sources (uses):					
Premium and accrued interest on bonds sold			159,369		159,369
Proceeds from sale of bonds			10,719,000		10,719,000
Proceeds from sale of notes				10,719,000	10,719,000
Proceeds from sale of fixed assets				147,431	147,431
Operating transfers in		21,874			21,874
Operating transfers out	(21,874)				(21,874)
Total other financing sources (uses)	(21,874)	21,874	10,878,369	10,866,431	21,744,800
Excess of revenues and other financing sources over expenditures and other financing (uses)	225,959	103,143	230,571	11,063,239	11,622,912
Fund balances, July 1	1,196,844	70,348	1,954	234,940	1,504,086
Decrease in reserve for inventory	(6,324)				(6,324)
Fund balances, June 30	\$1,416,479	\$173,491	\$232,525	\$11,298,179	\$13,120,674

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE 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 YEAR ENDED JUNE 30, 2001

	General			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)
Revenues:															
From local sources:															
Taxes.....	\$2,811,384	\$2,811,384	\$0	\$210,627	\$210,627	\$0	\$421,098	\$421,098	\$0	\$169,263	\$169,263	\$0	\$3,612,372	\$3,612,372	\$0
Tuition.....	14,886	\$14,886	0										14,886	14,886	0
Earnings on investments.....	155,633	155,633	0	2,438	2,438	0				352,648	352,648	0	510,719	510,719	0
Extracurricular.....				196,318	196,318	0							196,318	196,318	0
Other local revenues.....	45,180	45,180	0	8,157	8,157	0				2,698	2,698	0	56,035	56,035	0
Other Revenue.....				4,000	4,000	0							4,000	4,000	0
Intergovernmental - State.....	5,195,294	5,195,294	0	260,560	260,560	0	46,328	46,328	0	339,706	339,706	0	5,841,888	5,841,888	0
Intergovernmental - Federal.....				277,792	277,792	0							277,792	277,792	0
Total revenues.....	8,222,377	8,222,377	0	959,892	959,892	0	467,426	467,426	0	864,315	864,315	0	10,514,010	10,514,010	0
Expenditures:															
Current:															
Instruction:															
Regular.....	3,848,210	3,848,210	0	240,584	240,584	0				57,818	57,818	0	4,146,612	4,146,612	0
Special.....	670,847	670,847	0	197,092	197,092	0							867,939	867,939	0
Vocational.....	102,008	102,008	0										102,008	102,008	0
Support services:															
Pupil.....	369,326	369,326	0	40,410	40,410	0							409,736	409,736	0
Instructional staff.....	436,751	436,751	0	17,514	17,514	0				6,000	6,000	0	460,265	460,265	0
Board of Education.....	21,955	21,955	0										21,955	21,955	0
Administration.....	739,033	739,033	0	58,651	58,651	0	1,103	1,103	0	273	273	0	799,060	799,060	0
Fiscal.....	228,115	228,115	0	3,295	3,295	0	6,141	6,141	0	2,727	2,727	0	240,278	240,278	0
Business.....	57,093	57,093	0										57,093	57,093	0
Operations and maintenance.....	820,268	820,268	0							2,000	2,000	0	822,268	822,268	0
Pupil transportation.....	949,751	949,751	0										949,751	949,751	0
Central.....	17,276	17,276	0	9,064	9,064	0				4,036	4,036	0	30,376	30,376	0
Community services.....				2,616	2,616	0							2,616	2,616	0
Extracurricular activities.....	143,367	143,367	0	159,264	159,264	0							302,631	302,631	0
Capital outlay.....	7,065	7,065	0							879,920	879,920	0	886,985	886,985	0
Intergovernmental pass-through.....				214,155	214,155	0							214,155	214,155	0
Debt service:															
Principal retirement.....							10,735,745	10,735,745	0				10,735,745	10,735,745	0
Interest and fiscal charges.....							273,522	273,522	0				273,522	273,522	0
Bond issuance costs.....							148,487	148,487	0				148,487	148,487	0
Total expenditures.....	8,411,065	8,411,065	0	942,645	942,645	0	11,164,998	11,164,998	0	952,774	952,774	0	21,471,482	21,471,482	0
Excess (deficiency) of revenues over (under) expenditures.....	(188,688)	(188,688)	0	17,247	17,247	0	(10,697,572)	(10,697,572)	0	(88,459)	(88,459)	0	(10,957,472)	(10,957,472)	0
Other financing sources (uses):															
Refund of prior year's expenditures.....	20,951	20,951	0										20,951	20,951	0
Operating transfers in.....				21,874	21,874	0							21,874	21,874	0
Operating transfers (out).....	(24,809)	(24,809)	0										(24,809)	(24,809)	0
Advances in.....	141,026	141,026	0	1,962	1,962	0				158,346	158,346	0	301,334	301,334	0
Advances (out).....	(202,883)	(202,883)	0	(73,916)	(73,916)	0				(24,536)	(24,536)	0	(301,335)	(301,335)	0
Premium and accrued interest on bonds sold.....							159,369	159,369	0				159,369	159,369	0
Proceeds from sale of notes.....										10,719,000	10,719,000	0	10,719,000	10,719,000	0
Proceeds from sale of bonds.....							10,719,000	10,719,000	0				10,719,000	10,719,000	0
Total other financing sources (uses).....	(65,715)	(65,715)	0	(50,080)	(50,080)	0	10,878,369	10,878,369	0	10,852,810	10,852,810	0	21,615,384	21,615,384	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses).....	(254,403)	(254,403)	0	(32,833)	(32,833)	0	180,797	180,797	0	10,764,351	10,764,351	0	10,657,912	10,657,912	0
Fund balances, July 1.....	1,487,834	1,487,834	0	75,356	75,356	0	1,954	1,954	0	31,238	31,238	0	1,596,382	1,596,382	0
Prior year encumbrances appropriated.....	379,007	379,007	0	100,885	100,885	0	0	0	0	220,555	220,555	0	700,447	700,447	0
Fund balances, June 30.....	\$1,612,438	\$1,612,438	\$0	\$143,408	\$143,408	\$0	\$182,751	\$182,751	\$0	\$11,016,144	\$11,016,144	\$0	\$12,954,741	\$12,954,741	\$0

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Sales/charges for services.	\$198,895
Total operating revenues	198,895
Operating expenses:	
Personal services	150,182
Contract services	6,402
Materials and supplies.	121,085
Depreciation.	2,851
Total operating expenses	280,520
Operating (loss).	(81,625)
Nonoperating revenues:	
Operating grants	79,438
Investment earnings.	10,343
Federal commodities	23,834
Total nonoperating revenues	113,615
Net income	31,990
Retained earnings at July 1	90,674
Retained earnings at June 30	122,664
Contributed capital at July 1.	15,962
Contributed capital during the year	0
Contributed capital at June 30	15,962
Total fund equity.	\$138,626

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

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from sales/service charges	\$198,895
Cash payments for personal services	(150,400)
Cash payments for contract services	(6,753)
Cash payments for materials and supplies	(97,859)
Net cash (used in) operating activities	(56,117)
Cash flows from noncapital financing activities:	
Cash received from operating grants	81,199
Net cash provided by noncapital financing activities	81,199
Cash flows from investing activities:	
Interest received	10,377
Net cash provided by investing activities	10,377
Net increase in cash and cash equivalents	35,459
Cash and cash equivalents at beginning of year	108,544
Cash and cash equivalents at end of year	\$144,003
Reconciliation of operating (loss) to net cash (used in) operating activities:	
Operating (loss)	(\$81,625)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:	
Depreciation	2,851
Federal donated commodities	23,834
Changes in assets and liabilities:	
Increase in materials and supplies inventory	(608)
Decrease in accounts payable	(351)
Increase in accrued wages and benefits	1,174
Decrease in compensated absences payable	(1,571)
Increase in pension obligation payable	179
Net cash (used in) operating activities	(\$56,117)

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

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Waterloo Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education and is responsible for providing public education to residents of the District.

The District ranks as the 385th largest by total enrollment among the 682 public and community school districts in the State. The District's enrollment as of June 30, 2001, was 1,439. The District employed 100 certified employees and 51 non-certified employees.

Management believes the financial statements included in this report represent all of the funds of the District over which the District has the ability to exercise direct operating control.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. 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." When applying GASB Statement No. 14, management has considered all potential component units. The definition of the reporting entity is based primarily on the notion of financial accountability. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. On the basis, the District has no component units. The following organizations are described due to their relationship with the District:

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a joint venture among 31 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 SPARCC 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 contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the members school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, the District does not have any equity interest in SPARCC as a 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 Clifford Pocock, Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (WCGRP), an insurance purchasing pool. The WCGRP was established under Section 4123.29 of the Ohio Revised Code. The WCGRP's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the WCGRP to cover the costs of administering the program.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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 District and is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than 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.

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

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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 is the District's proprietary fund type:

Enterprise Fund - The enterprise fund is used to account for operations (a) that are 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 District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund. 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. See Note 3.C. for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

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.

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.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District, other than those accounted for in the proprietary 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 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 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 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 60 days after the June 30 year-end. Revenues accrued at the end of the year include property taxes, (to the extent they are intended to finance the current fiscal year), interest, grants and entitlements, and accounts (student fees and tuition). Property taxes measurable as of June 30, 2001, and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2002 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as advanced at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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 recognition 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.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and 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.

The proprietary funds 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 and a like amount is reported as donated commodities nonoperating revenue.

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2001 is as follows:

1. Prior to January 15 of the preceding year, 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 Portage 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 2001.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures for all funds, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. 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. Several supplemental appropriations were legally enacted by the Board prior to June 30, 2001.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund 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 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. For enterprise funds, encumbrances outstanding at year-end appear as a footnote disclosure in Note 13. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting for governmental fund types.

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" on the combined balance sheet.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

The District has monies held by a fiscal agent, which is held separate from the District's cash management pool. The District utilizes this fiscal agent to service bonded debt as principal and interest payments come due. The account is presented as "Cash with Fiscal Agent" on the combined balance sheet.

The District has invested funds in STAR Ohio during fiscal 2001. 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, 2001.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2001 amounted to \$153,153, which includes \$30,277 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. 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 \$1,000. 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.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

<u>Asset</u>	<u>Life (years)</u>
Furniture, fixtures and equipment	20

G. Intergovernmental Revenues

In governmental funds, revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenues are both measurable and available. Eligibility requirements include timing requirements, which specify the fiscal year when resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase Allocation
State Property Tax Relief

Special Revenue Funds

State Property Tax Relief

Debt Service Fund

State Property Tax Relief

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title VI
Education Management Information Systems
(EMIS)
Title I
Drug-Free Grant
SchoolNet Professional Development
Teacher Development
Auxiliary Services
Ohio Reads
Title VI-B
Eisenhower Grant

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

<u>Non-Reimbursable Grants - (Cont'd)</u>	<u>Reimbursable Grants</u>
<u>Special Revenue Funds - (Cont'd)</u>	<u>General Fund</u>
Preschool Beneficiary Fund	Driver Training Subsidy
Title VI-R	
Safe School Help Line	<u>Enterprise Fund</u>
Extended Learning Opportunity	National and State School Breakfast and
Intervention Activities	Lunch Programs
	Government Donated Commodities
<u>Capital Projects Funds</u>	
OSFC Construction Fund	
SchoolNet	

Grants and entitlements amounted to approximately 57% of the District's operating revenue during the 2001 fiscal year.

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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 50 or greater with at least 10 years of service and all employees with at least 20 years of service regardless of their age were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

The total liability for vacation and sick leave 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 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 sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

J. 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, material and supplies inventory, Bureau of Workers Compensation (BWC) refunds, debt service and tax advance unavailable for appropriation. The reserve for property tax advance unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriations 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.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant 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 show 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. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2001.
4. 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. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

L. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period-end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which, indicates they are unavailable for appropriation even though they are a component of reported assets.

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.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

O. Estimates

The preparation of the GPFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the GPFS and accompanying notes. Actual results may differ from those estimates.

P. Bond Discounts, Premiums and Issuance Costs

When the proceeds from general obligation bonded debt are placed in a governmental fund type, any bond issuance costs are shown as "Debt Service - Bond Issuance Costs Expenditures". Any premium and/or accrued interest is included in "Other Financing Sources - Premium and Accrued Interest on Bonds Sold" on the Statement of Revenues, Expenditures and Changes in Fund Balances. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

Q. Memorandum Only - Total Columns

Total columns on the GPFS 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 changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Deficit Fund Balances

Fund balance at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Education Management Information Systems	\$ (19)
SchoolNet Professional Development	(15)
Ohio Reads	(10)
Title VI-B (6,338)	

These funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit balances in these special revenue funds are due to accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

C. Agency Funds

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

<u>LIABILITIES</u>	
Accounts payable	\$250

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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.

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

Interim monies 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 or interest by the United States;

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio); and
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time.

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.

Cash on hand: At fiscal year-end, the District had \$150 in undeposited cash on hand, which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Deposits: At year-end, the carrying amount of the District's deposits was \$(240,233) and the bank balance was \$62,344. The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by federal deposit insurance.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are 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 securities held by the District. 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, but not in the District's name. At June 30, 2001, the District had an investment of \$14,073,148 in STAR Ohio. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of cash and cash equivalents 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>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$ 13,833,065	\$ 0
Investments of the Cash Management Pool:		
Investment in STAR Ohio	(14,073,148)	14,073,148
Cash on hand	<u>(150)</u>	<u>---</u>
GASB Statement No. 3	<u>\$ (240,233)</u>	<u>\$14,073,148</u>

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's interfund receivables and payables at June 30, 2001:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$160,308	\$ ---
<u>Special Revenue Funds</u>		
District Managed Student Activities	---	307
Auxiliary Services	---	1,654
<u>Capital Projects Funds</u>		
Permanent Improvements	<u>---</u>	<u>158,347</u>
Total	<u>\$160,308</u>	<u>\$160,308</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ - - -	\$24,809
<u>Special Revenue Funds</u>		
District Managed Student Activity	18,526	- - -
Management Information Systems	3,348	- - -
<u>Agency Fund</u>		
Student Managed Activities	<u>2,935</u>	<u>- - -</u>
Total	<u>\$24,809</u>	<u>\$24,809</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 November 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%.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 6 - PROPERTY TAXES - (Continued)

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 assessed value upon which the 2000 taxes were collected was \$123,884,180. Agricultural/residential and public utility/minerals real estate represented \$101,611,360 or 82.02% of this total, commercial & industrial real estate represented \$5,304,470 or 4.28% of this total, public utility tangible represented \$6,364,200 or 5.14% of this total and general tangible property represented \$10,604,150 or 8.56% of this total. The voted general tax rate at the fiscal year ended June 30, 2001 was \$50.80 per \$1,000.00 of assessed valuation for operations, \$2.60 per \$1,000.00 of assessed valuation for permanent improvements and \$7.45 per \$1,000.00 of assessed valuation for debt service.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 12, if paid semi-annually, the first payment is due February 12 with the remainder payable by July 30.

The Portage County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Portage County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. 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. A total of \$223,348 was available to the District as an advance at June 30, 2001 and is recorded as revenue.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001 consisted of taxes, accounts (billing for user charged services and student fees), accrued interest, interfund loans, and intergovernmental state and federal revenues (to the extent eligibility requirements were met prior to year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current and delinquent	\$2,947,125
Accrued interest	10,140
Accounts	8,828
Interfund loan	160,308
<u>Special Revenue Funds</u>	
Taxes - current and delinquent	275,036
Accrued interest	223
Accounts	287
Due from other governments	30,476
<u>Debt Service Fund</u>	
Taxes - current and delinquent	916,643
<u>Capital Projects Funds</u>	
Taxes - current and delinquent	174,976
Accounts	147,731
<u>Enterprise Fund</u>	
Due from other governments	10,196
Accrued interest	780

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

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

	Balance <u>July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>June 30, 2001</u>
Land/Improvements	\$2,487,377	\$273,641	\$(147,431)	\$2,613,587
Buildings/Improvements	3,219,751	318,862	---	3,538,613
Furniture/Equipment	1,098,841	117,749	---	1,216,590
Vehicles	1,144,436	57,665	(26,138)	1,175,963
Construction in Progress	<u>0</u>	<u>75,551</u>	<u>---</u>	<u>75,551</u>
Total	<u>\$7,950,405</u>	<u>\$843,468</u>	<u>\$(173,569)</u>	<u>\$8,620,304</u>

A summary of the proprietary fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 70,718
Less: accumulated depreciation	<u>(43,912)</u>
Net fixed assets	<u>\$ 26,806</u>

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Food Service</u>
Contributed capital, July 1, 2000	\$15,962
Current contributions from other funds	<u>---</u>
Contributed capital, June 30, 2001	<u>\$15,962</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal 1998, the District entered into a capital lease agreement for copiers. This 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 for the governmental fund types. 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 an amount 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 2001 fiscal year totaled \$14,284. This amount is reflected as debt service principal retirement in the general fund.

The following is an analysis of the equipment under capital lease as of June 30, 2001:

	General Fixed Assets
Copiers	\$70,529

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2001:

	<u>General Long-Term Obligation</u>
Year Ending June 30	<u>Copier</u>
2002	\$16,656
2003	<u>11,104</u>
Total minimum lease payments	27,760
Less: amount representing interest	<u>(1,626)</u>
Present value of future minimum lease payments	<u>\$26,134</u>

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

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS

- A. On May 3, 2001, the District issued general obligation bonds to provide funds for the construction and renovation of the high school to house grades K-12 and the abandonment and demolition of the current elementary and middle schools (hereinafter called "Construction Project"). 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. The source of payment is derived from a current 7.45 mills 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). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$25,522,356, of which OSFC will pay \$14,802,967.

In conjunction with the 7.45 mills which support the bonds issue, the District also passed in fiscal 2001 a .5 mill levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the special revenue funds.

This issue is comprised of both current interest bonds, par value \$10,345,000, and capital appreciation bonds, par value \$695,000. The interest rates on the current interest bonds range from 3.45% to 5.125%. The capital appreciation bonds mature on December 1, 2006 (effective interest 10.49%) and December 1, 2007 (effective interest 10.49%) 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, 2001 was \$373,967. As of June 30, 2001, no accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group at June 30, 2001.

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, 2024.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of activity for fiscal 2001 on the 2000 series general obligation bonds:

	<u>Balance</u> <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2001</u>
Current interest bonds	\$ 0	\$10,345,000	\$ ---	\$10,345,000
Capital appreciation bonds	<u>0</u>	<u>373,967</u>	<u>---</u>	<u>373,967</u>
Total G.O. bonds	<u>\$ 0</u>	<u>\$10,718,967</u>	<u>\$ 0</u>	<u>\$10,718,967</u>

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

<u>Fiscal</u> <u>Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$ ---	\$ 562,555	\$ 562,555	\$ ---	\$ ---	\$ ---
2003	300,000	514,107	814,107	---	---	---
2004	310,000	502,733	812,733	---	---	---
2005	320,000	490,132	810,132	---	---	---
2006	335,000	477,032	812,032	---	---	---
2007 - 2011	1,035,000	2,286,583	3,321,583	695,000	---	695,000
2012 - 2016	2,365,000	1,822,251	4,187,251	---	---	---
2017 - 2021	2,865,000	1,104,231	3,969,231	---	---	---
2022 - 2025	<u>2,815,000</u>	<u>296,868</u>	<u>3,111,868</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$10,345,000</u>	<u>\$8,056,492</u>	<u>\$18,401,492</u>	<u>\$695,000</u>	<u>\$ 0</u>	<u>\$695,000</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

B. On December 20, 2000, and on January 18, 2001, the District issued \$9,950,000 and \$769,000, respectively, in bond anticipation notes to begin the Construction Project under the terms outlined by the OSFC. On May 3, 2001, these bond anticipation notes were retired using proceeds from the District's bond issue described in Note 11.A. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes were classified as long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued. A summary of bond anticipation note transactions for the year ended June 30, 2001 follows:

	Principal Outstanding <u>July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	Principal Outstanding <u>June 30, 2001</u>
<u>Capital Projects Funds</u>				
Bond Anticipation				
Notes - 5.125%	\$ 0	\$ 9,950,000	\$ (9,950,000)	\$ 0
Bond Anticipation				
Notes - 4.375%	<u>0</u>	<u>769,000</u>	<u>(769,000)</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$10,719,000</u>	<u>\$(10,719,000)</u>	<u>\$ 0</u>

C. The District's long-term obligations outstanding at June 30, 2001 also include energy conservation notes. The energy conservation notes were issued in 1994 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the District's energy conservation notes outstanding as of June 30, 2001:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Outstanding July 1, 2000</u>	<u>Retired In 2001</u>	<u>Outstanding June 30, 2001</u>
Energy conservation notes	5.15%	12/04	<u>\$92,803</u>	<u>\$(16,745)</u>	<u>\$76,058</u>

The following is a description of the District's future annual requirements to amortize the energy conservation notes outstanding:

<u>Fiscal Year Ending</u>	<u>Principal on Energy Notes</u>	<u>Interest on Energy Notes</u>	<u>Total</u>
2002	\$17,607	\$3,464	\$21,071
2003	18,514	2,534	21,048
2004	19,467	1,555	21,022
2005	<u>20,470</u>	<u>527</u>	<u>20,997</u>
Total	<u>\$76,058</u>	<u>\$8,080</u>	<u>\$84,138</u>

- D.** During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
General obligation bonds	\$ 0	\$10,718,967	\$ - - -	\$10,718,967
Bond anticipation notes	0	10,719,000	(10,719,000)	0
Capital lease obligation	40,418	- - -	(14,284)	26,134
Compensated absences	662,024	- - -	(82,819)	579,205
Pension obligation payable	68,959	67,134	(68,959)	67,134
Energy conservation notes	<u>92,803</u>	<u>- - -</u>	<u>(16,745)</u>	<u>76,058</u>
Total	<u>\$864,204</u>	<u>\$21,505,101</u>	<u>\$(10,901,807)</u>	<u>\$11,467,498</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

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. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$1,037,101 (including available funds of \$232,525) and an unvoted debt margin of \$123,884.

NOTE 12 - RISK MANAGEMENT

G. Comprehensive and Health Care

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains comprehensive insurance coverage with private carriers for health care, real property, building contents, vehicles and employee bonds. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded commercial coverage in any of the past three years. There was not a significant reduction in coverage from the prior year.

B. Worker's Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2). The GRP's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 12 - RISK MANAGEMENT - (Continued)

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

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund to account for the operations of food service. Segment information is not required as activity for this fund can be traced directly to the financial statements. The enterprise fund had \$843 in encumbrances outstanding at June 30, 2001.

NOTE 14 - 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 administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 5.55% was the portion to fund pension obligations. The contribution rates are determined actuarially. 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, 2001, 2000, and 1999 were \$59,940, \$66,169, and \$88,624, respectively; 40.74% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$100,039, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

H. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS 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 State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% 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% for members and 14% for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$384,194, \$775,054, and 460,552, respectively; 82.37% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$99,808, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

I. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. The Board's liability is 6.2% of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the 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% of covered payroll. The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$181,979 during fiscal 2001.

The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients statewide.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 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% of the premium.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 15 - POSTEMPLOYMENT BENEFITS

After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 8.45% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants statewide receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$108,877 during the 2001 fiscal year.

NOTE 16 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working 11 or 12 months per year are entitled to an annual vacation, with pay, based on length of service in the District. Vacations must be taken within two years of the time earned. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators working fewer than 10 months per year do not earn vacation time.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 16 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES - (Continued)

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking 30% times the employee's accumulated sick leave balance up to 55 days for building secretaries and 70 days for classified and certified employees times the employee's daily rate at termination. The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance is done on a GAAP basis, 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 Comparison (Non-GAAP Budgetary Basis) - 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, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).
- (d) Advances are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - 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 (Deficiency) 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	\$(254,403)	\$(32,833)	\$180,797	\$10,764,351
Net adjustment for revenue accruals	53,298	17,009	49,774	148,982
Net adjustment for expenditure accruals	10,953	1,132	---	(1,814)
Net adjustment for other financing sources (uses)	43,841	71,954	---	(133,810)
Encumbrances (budget basis)	<u>372,270</u>	<u>45,881</u>	<u>---</u>	<u>285,530</u>
GAAP basis	<u>\$ 225,959</u>	<u>\$103,143</u>	<u>\$230,571</u>	<u>\$11,063,239</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 18 - 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, 2001.

B. Litigation

There is no current litigation pending, which would have a material effect on the financial statements.

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 18 - CONTINGENCIES - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of January 9, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ (41,938)	\$ 0	\$ 150,724
Current year set-aside requirement	180,388	180,388	---
Elimination of budget stabilization reserve	---	---	(150,724)
Current year offsets	---	(188,435)	---
Qualifying disbursements	<u>(226,014)</u>	<u>(7,524)</u>	<u>---</u>
Total	<u>\$ (87,564)</u>	<u>\$ (15,571)</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ (87,564)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO**

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 19- STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$38,202</u>
Total restricted assets	<u>\$38,202</u>

NOTE 20- CONTRACTUAL COMMITMENTS

On February 8, 2001, the District entered into a contract with Professional Design Services for architectural needs relating to the Ohio School Facilities Commission construction project described in Note 11.A. The contract obligates the District to pay Professional Design Services 6.5% of the overall construction budget. As of June 30, 2001, the District had paid \$64,115 in accordance with the contract.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

We have audited the general purpose financial statements of the Waterloo Local School District (the District), as of and for the year ended June 30, 2001, and have issued our report thereon dated January 9, 2002. As discussed in Note 3A to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statement No. 33 as of and for the year ended June 30, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose 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 general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated January 9, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated January 9, 2002.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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

A handwritten signature in black ink, appearing to read "G. B. Fink". The signature is stylized and cursive.

GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

January 9, 2002

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

Board of Education
Waterloo Local School District
1464 Industry Road
Atwater, OH 44201

Compliance

We have audited the compliance of the Waterloo Local School District (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Waterloo Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

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

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over compliance that we have reported to management of the District in a separate letter dated January 9, 2002.

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

January 9, 2002

**Waterloo Local School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2001**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Identifying Entity Number	Receipts	Disbursements
<u>U.S. Department of Agriculture</u>				
<i>Passed Through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Food Distribution	10.550	----	\$30,121	\$23,834
School Breakfast Program	10.553	----	7,596	7,596
National School Lunch Program	10.555	----	69,397	69,397
Total U.S. Department of Agriculture - Child Nutrition Cluster			107,114	100,827
<u>U.S. Department of Education</u>				
<i>Passed Through Ohio Department of Education:</i>				
Eisenhower Professional Development State Grants	84.281	049247-MS-S1-2001	4,730	0
Innovative Education Program Strategies (ESEA Title VI)	84.298	049247-C2-S1-2001	7,776	880
Innovative Education Program Strategies (ESEA Title VI)	84.298	049247-C2-S1-2000	5,489	6,632
Total Innovative Education Program Strategies			13,265	7,512
Title I Grants to Local Educational Agencies	84.010	049247-C1-S1-2001	116,458	102,961
Title I Grants to Local Educational Agencies	84.010	049247-C1-S1-2000	0	29,069
Total Title I			116,458	132,030
Safe and Drug-Free Schools and Communities - State Grants	84.186	049247-DR-S1-2001	6,515	3,126
Safe and Drug-Free Schools and Communities - State Grants	84.186	049247-DR-S1-2000	2,236	3,268
Total Safe and Drug-Free Schools			8,751	6,394
Class Size Reduction (Title VI-R)	84.340	049247-CR-S1-2001	18,812	16,323
Class Size Reduction (Title VI-R)	84.340	049247-CR-S1-2000	7,384	11,925
Total Class Size Reduction			26,196	28,248
Special Education Cluster:				
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049247-6B-SF-2001P	96,212	87,837
Special Education - Grants to States (Title VI-B Flow-Thru)	84.027	049247-6B-SF-2000P	6,230	10,657
Total Special Education Cluster			102,442	98,494
Total U.S. Department of Education			271,842	272,678
Total Federal Assistance			\$378,956	\$373,505

The notes to this Schedule are an integral part of this Schedule.

WATERLOO LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.

WATERLOO LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of auditor's report issued on the general purpose financial statements	Unqualified Opinion
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the general purpose financial statement level?	No
(d)(1)(ii)	Were there any other reportable conditions in internal control reported at the general purpose financial statement level?	No
(d)(1)(iii)	Was there any material noncompliance reported at the general purpose financial statement level?	No
(d)(1)(iv)	Were there any material weaknesses in internal control over major programs reported?	No
(d)(1)(iv)	Were there any other reportable conditions in internal control over major programs reported?	No
(d)(1)(v)	Type of auditor's report issued on compliance for major programs	Unqualified Opinion
(d)(1)(vi)	Were there any reportable audit findings under §510?	No

WATERLOO LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505
FOR THE YEAR ENDED JUNE 30, 2001
(CONTINUED)

(d)(1)(vii)	Major Programs:	Title I Grants to Local Educational Agencies, CFDA #84.010 and Special Education Cluster: Special Education – Grants to States (Title VI-B Flow-Thru), CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-282-0370
Facsimile 614-466-4490

WATERLOO LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 9, 2002**