

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS
(AUDITED)***

***FOR THE FISCAL YEAR ENDED
JUNE 30, 2011***

KAREN DAMERON, TREASURER



Dave Yost • Auditor of State

Board of Education
Wauseon Exempted Village School District
126 S. Fulton Street
Wauseon, Ohio 43567

We have reviewed the *Independent Accountants' Report* of the Wauseon Exempted Village School District, Fulton County, prepared by Julian & Grube, Inc., for the audit period July 1, 2010 through June 30, 2011. 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 Wauseon Exempted Village School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 5, 2012

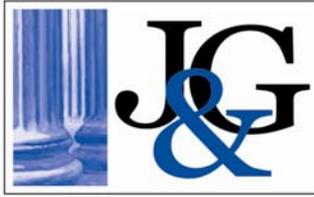
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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

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Julian & Grube, Inc. *Serving Ohio Local Governments*

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Independent Accountants' Report

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Wauseon Exempted Village School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Wauseon Exempted Village School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of June 30, 2011, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011, on our consideration of the Wauseon Exempted Village School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Independent Accountants' Report
Wauseon Exempted Village School District
Page Two

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the Wauseon Exempted Village School District's basic financial statements taken as a whole. The Schedule of Receipts and Expenditures of Federal Awards is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* provides additional analysis and is not a required part of the basic financial statements. The Schedule of Receipts and Expenditures of Federal Awards is management's responsibility and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Julian & Grube, Inc.
November 18, 2011

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The management's discussion and analysis of the Wauseon Exempted Village School District's ("the District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$403,584 which represents a 1.16% increase from 2010.
- General revenues accounted for \$15,155,822 in revenue or 76.64% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$4,619,376 or 23.36% of total revenues of \$19,775,198.
- The District had \$19,371,614 in expenses related to governmental activities; only \$4,619,376 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$15,155,822 were adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and classroom facilities fund. The general fund had \$14,155,080 in revenues and other financing sources and \$14,883,077 in expenditures and other financing uses. During fiscal 2011, the general fund's fund balance decreased \$727,997 from a restated balance of \$3,288,074 to \$2,560,077.
- The bond retirement fund had \$2,444,586 in revenues and \$2,215,366 in expenditures. During fiscal 2011, the bond retirement fund's fund balance increased \$29,220 from \$2,934,299 to \$2,963,519.
- The classroom facilities fund had \$168,672 in revenues and \$1,373,354 in expenditures. During fiscal 2011, the classroom facilities fund's fund balance decreased \$1,204,682 from \$4,617,758 to \$3,413,076.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund, bond retirement fund and classroom facilities fund are the only governmental funds reported as major funds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The statement of net assets and the statement of activities answer this question. These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations. The District's statement of net assets and statement of activities can be found on pages 13 - 14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets than can readily be converted to cash. The governmental fund financial statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15 - 19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented in a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in the agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 22 - 54 of this report.

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2011 and 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 20,845,871	\$ 23,711,885
Capital assets, net	<u>49,941,518</u>	<u>48,134,937</u>
Total assets	<u>70,787,389</u>	<u>71,846,822</u>
<u>Liabilities</u>		
Current liabilities	8,776,376	9,232,410
Long-term liabilities	<u>26,944,309</u>	<u>27,951,292</u>
Total liabilities	<u>35,720,685</u>	<u>37,183,702</u>
<u>Net assets</u>		
Invested in capital assets, net of related debt	26,977,848	26,303,576
Restricted	7,065,570	6,838,764
Unrestricted	<u>1,023,286</u>	<u>1,520,780</u>
Total net assets	<u>\$ 35,066,704</u>	<u>\$ 34,663,120</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$35,066,704. Of this total, \$1,023,286 was unrestricted in its use.

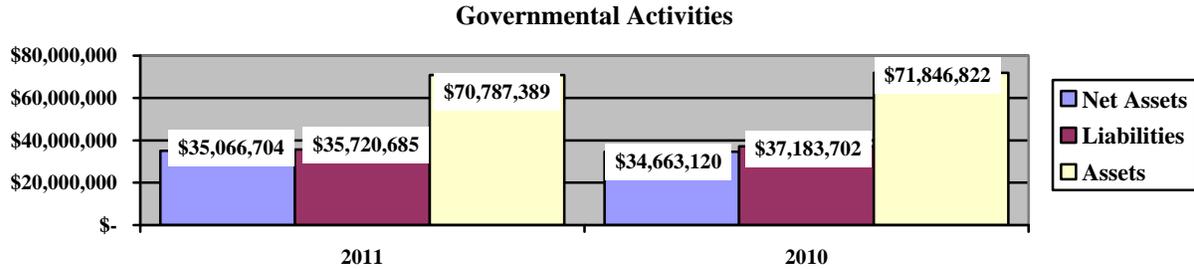
At year-end, capital assets represented 70.55% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$26,977,848. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$7,065,570, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$1,023,286 may be used to meet the District's ongoing obligations to the students and creditors.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The graph below shows the District's assets, liabilities and net assets at June 30, 2011 and 2010.



The table below shows the change in net assets for fiscal years 2011 and 2010. The 2010 balance of operating grants and contributions and general revenues - grants and entitlements have been restated to conform to 2011 presentation of Pathway to Student Success (PASS) fund from the State of Ohio which is reported as an operating grant and contribution rather than as general revenue.

Change in Net Assets

	Governmental Activities <u>2011</u>	Restated Governmental Activities <u>2010</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 1,346,218	\$ 1,393,947
Operating grants and contributions	3,148,158	2,507,102
Capital grants and contributions	125,000	-
General revenues:		
Property taxes	6,362,248	6,544,218
Grants and entitlements	8,648,580	8,794,216
Investment earnings	41,315	135,084
Miscellaneous	<u>103,679</u>	<u>90,737</u>
Total revenues	<u>19,775,198</u>	<u>19,465,304</u>

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Change in Net Assets

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 7,960,325	\$ 7,594,389
Special	2,029,658	1,891,758
Vocational	263,202	264,453
Other	797,607	902,017
Support services:		
Pupil	675,495	643,737
Instructional staff	763,484	720,523
Board of education	39,221	62,392
Administration	1,362,003	1,280,163
Fiscal	388,629	401,950
Business	67,303	74,549
Operations and maintenance	1,472,563	1,455,379
Pupil transportation	800,496	806,278
Central	116,087	68,320
Food service operations	777,007	753,527
Extracurricular activities	700,283	637,732
Interest and fiscal charges	<u>1,158,251</u>	<u>1,193,321</u>
Total expenses	<u>19,371,614</u>	<u>18,750,488</u>
Special item	-	(1,597,536)
Change in net assets	403,584	(882,720)
Net assets at beginning of year	<u>34,663,120</u>	<u>35,545,840</u>
Net assets at end of year	<u>\$ 35,066,704</u>	<u>\$ 34,663,120</u>

Governmental Activities

Net assets of the District's governmental activities increased \$403,584. Total governmental expenses of \$19,371,614 were offset by program revenues of \$4,619,376 and general revenues of \$15,155,822. Program revenues supported 23.85% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes and unrestricted grants and entitlements. These revenue sources represent 75.91% of total governmental revenue. Operating grants and contributions increased due to revenues from the American Recovery and Reinvestment Act (ARRA). Interest revenue decreased due to lower interest rates.

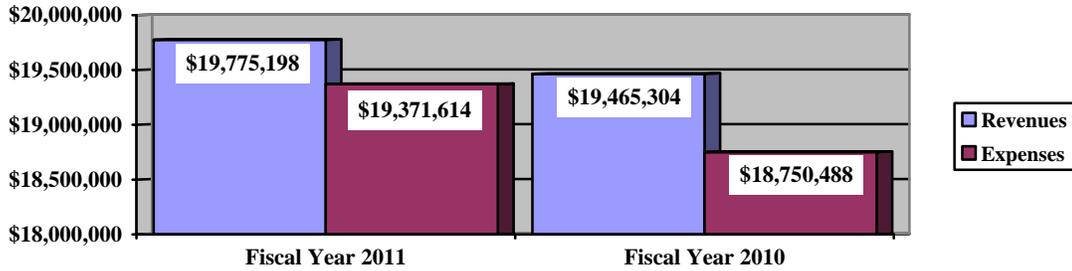
The largest expense of the District is for instructional programs. Instruction expenses totaled \$11,050,792 or 57.05% of total governmental expenses for fiscal 2011. Expenditures remained consistent with the prior fiscal year.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. Certain amounts from 2010 have been restated to conform to 2011 presentation.

Governmental Activities

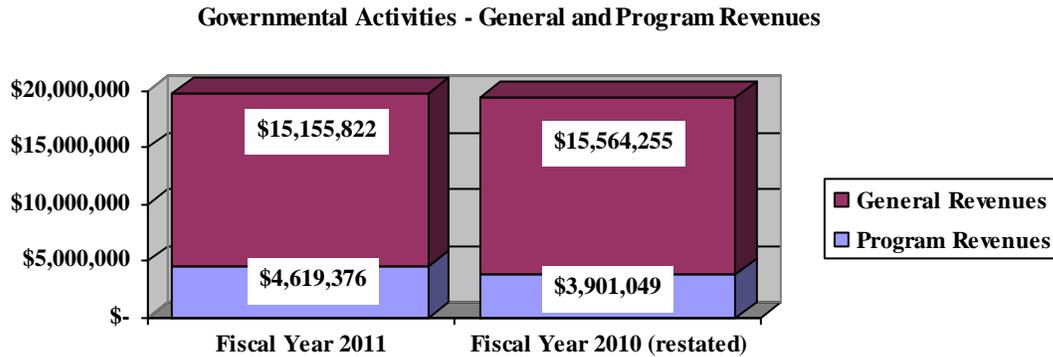
	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>	Total Cost of Services <u>2010</u>	Restated Net Cost of Services <u>2010</u>
Program expenses				
Instruction:				
Regular	\$ 7,960,325	\$ 5,896,049	\$ 7,594,389	\$ 6,083,767
Special	2,029,658	1,075,166	1,891,758	811,524
Vocational	263,202	168,467	264,453	169,491
Other	797,607	784,053	902,017	895,061
Support services:				
Pupil	675,495	570,518	643,737	560,210
Instructional staff	763,484	648,328	720,523	659,988
Board of education	39,221	39,221	62,392	62,392
Administration	1,362,003	1,362,003	1,280,163	1,280,163
Fiscal	388,629	388,629	401,950	401,950
Business	67,303	67,303	74,549	74,549
Operations and maintenance	1,472,563	1,472,563	1,455,379	1,446,519
Pupil transportation	800,496	668,778	806,278	728,421
Central	116,087	106,987	68,320	55,501
Food service operations	777,007	(71,710)	753,527	(74,922)
Extracurricular activities	700,283	417,632	637,732	501,504
Interest and fiscal charges	1,158,251	1,158,251	1,193,321	1,193,321
Total expenses	<u>\$ 19,371,614</u>	<u>\$ 14,752,238</u>	<u>\$ 18,750,488</u>	<u>\$ 14,849,439</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

The dependence upon tax and other general revenues for governmental activities is apparent, 71.70% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 76.15%. The District's taxpayers and unrestricted grants and entitlements from the State are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$11,438,897, which is less than last year's total of \$13,848,315. Fund balances at June 30, 2010 have been restated as described in Note 3.B. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	<u>Fund Balance June 30, 2011</u>	<u>Fund Balance June 30, 2010</u>	<u>Increase (Decrease)</u>
Major funds:			
General	\$ 2,560,077	\$ 3,288,074	\$ (727,997)
Bond retirement	2,963,519	2,934,299	29,220
Classroom facilities	3,413,076	4,617,758	(1,204,682)
Other governmental	<u>2,502,225</u>	<u>3,008,184</u>	<u>(505,959)</u>
Total	<u>\$ 11,438,897</u>	<u>\$ 13,848,315</u>	<u>\$ (2,409,418)</u>

General Fund

The District's general fund's fund balance decreased \$727,997. The decrease in fund balance can be attributed to decreasing revenues being less than increasing expenditures.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

The table that follows assists in illustrating the financial activities and fund balance of the general fund.

	2011	Restated 2010	Percentage
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>
<u>Revenues</u>			
Taxes	\$ 4,209,058	\$ 4,195,767	0.32 %
Tuition	669,818	728,260	(8.02) %
Earnings on investments	31,927	73,068	(56.31) %
Intergovernmental	8,892,363	9,042,947	(1.67) %
Other revenues	<u>330,394</u>	<u>175,940</u>	87.79 %
Total	<u>\$ 14,133,560</u>	<u>\$ 14,215,982</u>	(0.58) %
<u>Expenditures</u>			
Instruction	\$ 9,102,141	\$ 8,882,522	2.47 %
Support services	5,139,270	4,979,932	3.20 %
Extracurricular activities	<u>480,156</u>	<u>483,577</u>	(0.71) %
Total	<u>\$ 14,721,567</u>	<u>\$ 14,346,031</u>	2.62 %

The decrease in earnings on investments can be attributed to declining interest rates compared to fiscal year 2010. The decrease in intergovernmental revenue is due a decrease in State Foundation revenue. The decrease in tuition revenue is due to a decrease in open enrollment.

Expenditures increased in instruction and support services increased due to annual wage and benefit increases.

Bond Retirement Fund

The bond retirement fund had \$2,244,586 in revenues and \$2,215,366 in expenditures. During fiscal 2011, the bond retirement fund's fund balance increased \$29,220 from \$2,934,299 to \$2,963,519. The increase is due to the District's debt levies generating more income than the debt service requirements for fiscal year 2011.

Classroom Facilities Fund

The classroom facilities fund had \$168,672 in revenues and \$1,373,354 in expenditures. During fiscal 2011, the classroom facilities fund's fund balance decreased \$1,204,682 from \$4,617,758 to \$3,413,076. This decrease is due to the District's ongoing construction project.

General Fund Budgeting Highlights

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

During the course of fiscal 2011, the District amended its general fund budget numerous times. For the general fund, original and final budgeted revenues and other financing sources were \$13,729,842 and \$13,854,842, respectively. Actual revenues and other financing sources for fiscal 2011 was \$14,147,114. This represents a \$292,272 increase over final budgeted revenues and other financing sources.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

General fund original appropriations (appropriated expenditures plus other financing uses) of \$15,628,906 were increased to \$16,382,680 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$14,831,244, which was \$1,551,436 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the District had \$49,941,518 invested in land, construction in progress, land improvements, buildings and improvements, furniture, fixtures and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2011 balances compared to 2010:

**Capital Assets at June 30
(Net of Depreciation)**

	Governmental Activities	
	2011	2010
Land	\$ 907,312	\$ 908,233
Construction in progress	18,192,022	17,293,659
Land improvements	1,892,003	2,040,400
Building and improvements	26,978,298	26,208,343
Furniture, fixtures and equipment	1,302,641	1,124,716
Vehicles	669,242	559,586
Total	\$ 49,941,518	\$ 48,134,937

Total additions to capital assets for 2011 were \$2,530,688. The total depreciation expense for 2011 was \$720,673. Total disposals for 2011 were \$3,434 (net of accumulated depreciation).

See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$24,955,628 in general obligation bonds outstanding. Of this total, \$985,000 is due within one year and \$23,970,628 is due in greater than one year. The following table summarizes the bonds outstanding.

Outstanding Debt, at Year End

	Governmental Activities <u>2011</u>	Governmental Activities <u>2010</u>
General obligation bonds	\$ 24,955,628	\$ 25,959,908
Total	\$ 24,955,628	\$ 25,959,908

See Note 9 to the basic financial statements for additional information on the District's debt administration.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Current Financial Related Activities

The Wauseon Exempted Village School District resides in Fulton County, Northwest Ohio. Over the course of the past 33 years the Wauseon Exempted Village School District has returned to the community for additional operating revenue one time. In November, 1991, the Wauseon community supported the needs of the District by approving an \$835,000 five-year emergency levy. The community has continued to support the educational needs of the District by renewing this levy four times in 1996, 2001, 2006 and 2011. In addition, the community passed an 8 year emergency levy in May 2011 for additional operating money in the amount of \$841,000.

The District realizes over 50% of its general operating funds from the State Foundation program. This amount has shown very little change over the past three years due to changes in the funding formula as well as budget constraints at the State level. The passage of HB153 has created yet another new funding formula for school districts. The loss of Federal Stimulus dollars as well as notification of the elimination of tangible personal property replacement money for the District creates new financial challenges. The Board of Education and administrative team continue to evaluate the District's revenues and expenditures based on the current five year financial forecast. Careful thought, discussion and consideration are given to budgetary reductions as the revenue stream continues to erode and inflationary factors continue to increase at an alarming rate. Despite budgetary constraints the students of the District have been able to achieve the necessary indicators to earn the District an "Excellent" rating for the sixth year in a row as spelled out by the Ohio Department of Education's Local District Report Card. In fact, the District was awarded the "Excellent with Distinction" rating for both the 2008-2009 and 2009-2010 school years. Current communication regarding the upcoming State budget does not appear to show signs of relief financially.

The District voters approved a 6.99 mill bond issue to embark on an Ohio School Facilities Construction/Renovation project in November, 2006. The passage of this bond issue provided \$18.8 million local dollars towards the overall \$43.5 million project. This project resulted in the construction of a new 3-8 building (Wauseon Elementary and Wauseon Middle Schools) and the renovation of our existing Wauseon High School as well as Wauseon Primary School. These funds cannot be used in any way toward offsetting the general operating costs of the District.

After four long years of construction, the above mentioned project is now complete. The renovation of Wauseon Primary School was completed in the summer of 2009. As scheduled, Wauseon Elementary School/Wauseon Middle School was occupied as of January 6, 2010. It is truly a beautiful facility that houses over 900 students. In addition, the Wauseon High School renovation was just completed after a thorough overhaul in a four phase project. A new athletic complex featuring a football/soccer field inside a brand new nine-lane all weather track is now finished as well as the construction of a field house with student dressing rooms, public restrooms, a concession stand and a large storage area.

As required by the Auditor of State, the District underwent an Agreed upon Procedures audit to evaluate compliance with the project agreement with the Ohio Schools Facilities Commission. The final audit report indicated that the Wauseon Exempted Village School District was in complete compliance. The District was commended for the excellent work in accounting for this construction project. The best words that can be said about the completed project is that we were on schedule and under budget. The District's facilities are now in excellent condition for the next 40 – 50 years!

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Karen Dameron, Treasurer, Wauseon Exempted Village School District, 126 South Fulton Street, Wauseon, Ohio 43567-1350.

**BASIC
FINANCIAL STATEMENTS**

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and investments.	\$ 13,154,718
Cash with escrow agent	64,014
Receivables:	
Taxes	7,055,984
Accounts.	1,276
Accrued interest	4,985
Intergovernmental	159,625
Prepayments	57,595
Materials and supplies inventory.	42,525
Unamortized bond issuance costs	305,149
Capital assets:	
Land and construction in progress.	19,099,334
Depreciable capital assets, net.	30,842,184
Capital assets, net	49,941,518
 Total assets.	 70,787,389
 Liabilities:	
Accounts payable.	34,897
Contracts payable.	170,318
Retainage payable	64,014
Accrued wages and benefits	1,653,598
Pension obligation payable.	359,116
Intergovernmental payable	63,273
Accrued interest payable	86,724
Unearned revenue	6,344,436
Long-term liabilities:	
Due within one year.	1,235,518
Due in more than one year.	25,708,791
 Total liabilities	 35,720,685
 Net assets:	
Invested in capital assets, net of related debt.	26,977,848
Restricted for:	
Capital projects	3,107,690
Classroom facilities maintenance	578,434
Debt service.	2,928,901
Locally funded programs	306
Federally funded programs	47,086
Student activities	59,197
Other purposes	343,956
Unrestricted	1,023,286
 Total net assets	 \$ 35,066,704

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets Governmental Activities</u>
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Instruction:					
Regular	\$ 7,960,325	\$ 744,157	\$ 1,320,119	\$ -	\$ (5,896,049)
Special	2,029,658	3,336	951,156	-	(1,075,166)
Vocational	263,202	-	94,735	-	(168,467)
Other	797,607	-	13,554	-	(784,053)
Support services:					
Pupil.	675,495	-	104,977	-	(570,518)
Instructional staff	763,484	-	115,156	-	(648,328)
Board of education	39,221	-	-	-	(39,221)
Administration.	1,362,003	-	-	-	(1,362,003)
Fiscal.	388,629	-	-	-	(388,629)
Business.	67,303	-	-	-	(67,303)
Operations and maintenance	1,472,563	-	-	-	(1,472,563)
Pupil transportation.	800,496	24,660	107,058	-	(668,778)
Central	116,087	-	9,100	-	(106,987)
Food service operations	777,007	445,125	403,592	-	71,710
Extracurricular activities.	700,283	128,940	28,711	125,000	(417,632)
Interest and fiscal charges	1,158,251	-	-	-	(1,158,251)
Totals	<u>\$ 19,371,614</u>	<u>\$ 1,346,218</u>	<u>\$ 3,148,158</u>	<u>\$ 125,000</u>	<u>(14,752,238)</u>

General revenues:

Property taxes levied for:	
General purposes	4,219,752
Debt service.	1,903,022
Classroom facilities maintenance.	82,817
Permanent improvements	156,657
Grants and entitlements not restricted	
to specific programs	8,648,580
Investment earnings	41,315
Miscellaneous	103,679
Total general revenues	<u>15,155,822</u>
Change in net assets	403,584
Net assets at beginning of year.	<u>34,663,120</u>
Net assets at end of year	<u>\$ 35,066,704</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash and investments.	\$ 4,170,453	\$ 2,808,551	\$ 3,540,951	\$ 2,634,763	\$ 13,154,718
Cash with escrow agent.	-	-	41,229	22,785	64,014
Receivables:					
Taxes	4,728,442	2,080,920	-	246,622	7,055,984
Accounts	889	-	-	387	1,276
Accrued interest	4,985	-	-	-	4,985
Intergovernmental	7,090	-	4,818	147,717	159,625
Prepayments.	57,595	-	-	-	57,595
Materials and supplies inventory.	35,409	-	-	7,116	42,525
Total assets	<u>\$ 9,004,863</u>	<u>\$ 4,889,471</u>	<u>\$ 3,586,998</u>	<u>\$ 3,059,390</u>	<u>\$ 20,540,722</u>
Liabilities:					
Accounts payable	\$ 16,944	\$ -	\$ -	\$ 17,953	\$ 34,897
Contracts payable.	-	-	127,875	42,443	170,318
Retainage payable.	-	-	41,229	22,785	64,014
Accrued wages and benefits.	1,493,914	-	-	159,684	1,653,598
Compensated absences payable	184,728	-	-	-	184,728
Intergovernmental payable	60,284	-	-	2,989	63,273
Pension obligation payable	312,628	-	-	46,488	359,116
Deferred revenue	125,079	52,106	4,818	45,442	227,445
Unearned revenue.	4,251,209	1,873,846	-	219,381	6,344,436
Total liabilities.	<u>6,444,786</u>	<u>1,925,952</u>	<u>173,922</u>	<u>557,165</u>	<u>9,101,825</u>
Fund balances:					
Nonspendable:					
Materials and supplies inventory.	35,409	-	-	7,116	42,525
Prepays.	57,595	-	-	-	57,595
Restricted:					
Debt service	-	2,963,519	-	-	2,963,519
Capital improvements	-	-	3,413,076	1,485,537	4,898,613
Classroom facilities maintenance	-	-	-	576,042	576,042
Food service operations	-	-	-	368,943	368,943
Special education	-	-	-	28,025	28,025
Targeted academic assistance	-	-	-	14,138	14,138
Extracurricular.	-	-	-	59,197	59,197
Other purposes.	-	-	-	2,530	2,530
Committed:					
Other purposes.	11,000	-	-	-	11,000
Assigned:					
Student instruction	1,290	-	-	-	1,290
Student and staff support.	12,035	-	-	-	12,035
Other purposes.	24,139	-	-	-	24,139
Unassigned (deficit).	2,418,609	-	-	(39,303)	2,379,306
Total fund balances	<u>2,560,077</u>	<u>2,963,519</u>	<u>3,413,076</u>	<u>2,502,225</u>	<u>11,438,897</u>
Total liabilities and fund balances	<u>\$ 9,004,863</u>	<u>\$ 4,889,471</u>	<u>\$ 3,586,998</u>	<u>\$ 3,059,390</u>	<u>\$ 20,540,722</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$ 11,438,897
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,941,518
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 177,094	
Accounts receivable	4,523	
Accrued interest receivable	2,489	
Intergovernmental receivable	43,339	
Total		227,445
Unamortized bond issuance costs are not recognized in the funds.		305,149
Unamortized premiums on bond issuances are not recognized in the funds.		(603,926)
Unamortized deferred charges on refundings are not recognized in the funds.		284,979
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(86,724)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(24,955,628)	
Compensated absences	(1,485,006)	
Total		(26,440,634)
Net assets of governmental activities		\$ 35,066,704

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	General	Bond Retirement	Classroom Facilities	Other Governmental Funds	Total Governmental Funds
Revenues:					
From local sources:					
Taxes	\$ 4,209,058	\$ 1,904,256	\$ -	\$ 238,728	\$ 6,352,042
Tuition	669,818	-	-	-	669,818
Transportation fees	24,620	-	-	-	24,620
Earnings on investments	31,927	-	6,415	2,883	41,225
Charges for services	-	-	-	445,125	445,125
Extracurricular	-	-	-	128,940	128,940
Classroom materials and fees	56,784	-	-	-	56,784
Other local revenues	248,990	-	-	29,805	278,795
Intergovernmental - intermediate	-	-	-	1,250	1,250
Intergovernmental - state	8,892,363	340,330	162,257	122,693	9,517,643
Intergovernmental - federal	-	-	-	2,371,271	2,371,271
Total revenues	<u>14,133,560</u>	<u>2,244,586</u>	<u>168,672</u>	<u>3,340,695</u>	<u>19,887,513</u>
Expenditures:					
Current:					
Instruction:					
Regular	6,451,717	-	-	1,269,028	7,720,745
Special	1,614,181	-	-	382,851	1,997,032
Vocational	249,665	-	-	9,250	258,915
Other	786,578	-	-	11,029	797,607
Support services:					
Pupil	572,989	-	-	131,174	704,163
Instructional staff	640,476	-	-	100,956	741,432
Board of education	39,221	-	-	-	39,221
Administration	1,346,007	-	-	-	1,346,007
Fiscal	332,550	49,077	-	6,095	387,722
Business	66,838	-	-	-	66,838
Operations and maintenance	1,284,328	-	-	116,017	1,400,345
Pupil transportation	759,019	-	-	151,416	910,435
Central	97,842	-	-	18,245	116,087
Food service operations	-	-	-	737,781	737,781
Extracurricular activities	480,156	-	-	156,997	637,153
Facilities acquisition and construction	-	-	1,373,354	920,875	2,294,229
Debt service:					
Principal retirement	-	1,105,000	-	-	1,105,000
Interest and fiscal charges	-	1,061,289	-	-	1,061,289
Total expenditures	<u>14,721,567</u>	<u>2,215,366</u>	<u>1,373,354</u>	<u>4,011,714</u>	<u>22,322,001</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(588,007)</u>	<u>29,220</u>	<u>(1,204,682)</u>	<u>(671,019)</u>	<u>(2,434,488)</u>
Other financing sources (uses):					
Sale of capital assets	10,180	-	-	3,550	13,730
Transfers in	-	-	-	161,510	161,510
Transfers (out)	(161,510)	-	-	-	(161,510)
Insurance recoveries	11,340	-	-	-	11,340
Total other financing sources (uses)	<u>(139,990)</u>	<u>-</u>	<u>-</u>	<u>165,060</u>	<u>25,070</u>
Net change in fund balances	(727,997)	29,220	(1,204,682)	(505,959)	(2,409,418)
Fund balances at beginning					
of year (restated)	3,288,074	2,934,299	4,617,758	3,008,184	13,848,315
Fund balances at end of year	<u>\$ 2,560,077</u>	<u>\$ 2,963,519</u>	<u>\$ 3,413,076</u>	<u>\$ 2,502,225</u>	<u>\$ 11,438,897</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ (2,409,418)

*Amounts reported for governmental activities in the
statement of activities are different because:*

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

Capital asset additions	\$ 2,530,688	
Current year depreciation	(720,673)	
Total		1,810,015

The net effect of various miscellaneous transactions involving
capital assets (i.e., sales, disposals, trade-ins, and donations) is to
decrease net assets. (3,434)

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

Taxes	10,206	
Earnings on investments	636	
Other local revenue	(3,470)	
Intergovernmental	(123,736)	
Total		(116,364)

Repayment of bond principal is an expenditure in the governmental
funds, but the repayment reduces long-term liabilities on the statement
of net assets. Principal payments during the year were: 1,105,000

In the statement of activities, interest is accrued on outstanding bonds,
whereas in governmental funds, an interest expenditure is reported
when due. The following items resulted in additional interest being
reported in the statement of activities:

Decrease in accrued interest payable	3,433	
Accreted interest on capital appreciation bonds	(100,720)	
Amortization of bond issuance costs	(12,684)	
Amortization of bond premiums	35,305	
Amortization of deferred charges	(22,296)	
Total		(96,962)

Some expenses reported in the statement of activities,
such as compensated absences, do not require the use of current
financial resources and therefore are not reported as expenditures
in governmental funds. 114,747

Change in net assets of governmental activities \$ 403,584

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes	\$ 4,097,630	\$ 4,134,937	\$ 4,224,140	\$ 89,203
Tuition.	703,037	709,438	669,818	(39,620)
Transportation fees	24,210	24,430	23,743	(687)
Earnings on investments	49,549	50,000	38,267	(11,733)
Classroom materials and fees	3,439	3,470	5,455	1,985
Other local revenues.	201,813	203,650	240,820	37,170
Intergovernmental - state	8,650,164	8,728,917	8,892,363	163,446
Total revenues	<u>13,729,842</u>	<u>13,854,842</u>	<u>14,094,606</u>	<u>239,764</u>
Expenditures:				
Current:				
Instruction:				
Regular	6,454,948	6,766,268	6,304,517	461,751
Special.	1,744,994	1,829,154	1,630,942	198,212
Vocational.	287,494	301,360	261,820	39,540
Other.	837,107	877,480	786,816	90,664
Support services:				
Pupil.	550,170	576,704	561,341	15,363
Instructional staff	727,396	762,478	660,126	102,352
Board of education	52,818	55,365	41,973	13,392
Administration.	1,351,760	1,416,955	1,331,355	85,600
Fiscal	346,317	363,020	336,025	26,995
Business	73,054	76,577	67,509	9,068
Operations and maintenance.	1,424,988	1,493,714	1,302,469	191,245
Pupil transportation	877,689	920,019	755,054	164,965
Central.	136,277	142,850	97,842	45,008
Extracurricular activities	551,172	577,755	480,469	97,286
Total expenditures	<u>15,416,184</u>	<u>16,159,699</u>	<u>14,618,258</u>	<u>1,541,441</u>
Excess of expenditures over revenues.	<u>(1,686,342)</u>	<u>(2,304,857)</u>	<u>(523,652)</u>	<u>1,781,205</u>
Other financing sources (uses):				
Refund of prior year's expenditures	-	-	30,988	30,988
Refund of prior year's receipts.	(31,386)	(32,900)	(32,893)	7
Transfers (out).	(181,336)	(190,081)	(180,093)	9,988
Insurance recoveries.	-	-	11,340	11,340
Sale of capital assets	-	-	10,180	10,180
Total other financing sources (uses)	<u>(212,722)</u>	<u>(222,981)</u>	<u>(160,478)</u>	<u>62,503</u>
Net change in fund balance	(1,899,064)	(2,527,838)	(684,130)	1,843,708
Fund balance at beginning				
of year (restated).	4,700,485	4,700,485	4,700,485	-
Prior year encumbrances appropriated	103,652	103,652	103,652	-
Fund balance at end of year	<u>\$ 2,905,073</u>	<u>\$ 2,276,299</u>	<u>\$ 4,120,007</u>	<u>\$ 1,843,708</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private Purpose Trust	
	Scholarships	Agency
Assets:		
Equity in pooled cash and investments	\$ 444,433	\$ 116,564
Receivables:		
Accounts	-	230
Accrued interest	389	-
Total assets.	444,822	\$ 116,794
Liabilities:		
Accounts payable.	-	\$ 3,726
Due to students.	-	113,068
Total liabilities	-	\$ 116,794
Net assets:		
Held in trust for scholarships	444,822	
Total net assets	\$ 444,822	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Private Purpose Trust
	Scholarships
Additions:	
Interest.	\$ 2,631
Gifts and contributions.	7,854
Total additions.	10,485
Deductions:	
Scholarships awarded	19,266
Change in net assets.	(8,781)
Net assets at beginning of year	453,603
Net assets at end of year.	\$ 444,822

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District was established in 1865 through the consolidation of existing land areas and school districts. The District serves an area of approximately fifty-four square miles. It is located in Fulton County, and includes all of the Village of Wauseon and portions of Clinton, Dover, and York Townships. The District is the 265th largest in the State of Ohio (among 918 public school districts and community schools) in terms of enrollment. It is staffed by 78 classified employees and 122 certified teaching personnel who provide services to 1,968 students and other community members. The District currently operates four instructional buildings.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (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) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Computer Association

The District is a participant in the Northwest Ohio Computer Association (NWOCA) which is a computer consortium. NWOCA is an association of education entities within the boundaries of Defiance, Fulton, Henry, Lucas, Williams, and Wood counties in northwestern Ohio. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. NWOCA is governed by the Northern Buckeye Education Council and its participating members. Total disbursements made by the District to NWOCA during this fiscal year were \$107,817. Financial information can be obtained from Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Northern Buckeye Education Council

The Northern Buckeye Education Council (NBEC) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, Lucas, Williams, and Wood counties. NBEC is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member entities and bylaws adopted by the representatives of the member educational entities. NBEC is governed by an elected Board consisting of two representatives from each of the counties in which the member educational entities are located. The Board is elected from an Assembly consisting of a representative from each participating educational entity. To obtain financial information write to the Northern Buckeye Education Council, Robin Pfund, who serves as Treasurer, at 209 Nolan Parkway, PO Box 407, Archbold, Ohio 43502.

Four County Career Center

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

Northwestern Ohio Educational Research Council, Inc.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

INSURANCE POOLS

Ohio School Plan

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

Northern Buckeye Education Council Employee Insurance Benefits Program

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

Northern Buckeye Education Council Workers' Compensation Group Rating Plan

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

RELATED ORGANIZATION

Wauseon Public Library

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary. The District does not have proprietary funds.

GOVERNMENTAL FUNDS

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Bond retirement fund - The bond retirement fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for payment.

Classroom facilities fund - The classroom facilities capital projects fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio Department of Education for the building and equipping of classroom facilities.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

FIDUCIARY FUNDS

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

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

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

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

The private purpose trust funds are reported using the economic resources measurement focus. The agency fund does not report a measurement focus as it does not report operations.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6).

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

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue in the governmental funds.

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities used during the fiscal year is reported in the statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at these levels may only be made by resolution of the Board of Education. 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.

Estimated Resources:

By 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 July 1, 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 the basis for the appropriation measure. On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources 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 statements reflect the amounts in the original and final amended certificate of estimated resources issued during the fiscal year.

Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate of estimated resources is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at the fund legal level of control. Any revisions that alter appropriations at the fund level must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the fiscal year, all supplemental appropriations were legally enacted.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all 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 investments" on the basic financial statements.

During fiscal year 2011, investments were limited to federal agency securities, a repurchase agreement, U.S. Treasury notes, certificates of deposit and U.S. Government money market funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or by policy of the Board of Education. Interest revenue credited to the general fund during fiscal year 2011 amounts to \$31,927, which includes \$16,177 assigned from other funds.

For presentation on the basic financial statements, 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. Investments with an initial maturity of more than three months are reported as investments.

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

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

Inventory consists of expendable supplies held for consumption, donated food and purchased food.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000 for its general capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

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

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	10 - 40 years
Buildings and improvements	50 - 111 years
Furniture, fixtures and equipment	5 - 20 years
Vehicles	7 - 15 years

I. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave 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 sick leave on employees expected to become eligible to retire in the future, all employees with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2011 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

J. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability in the fund financial statements when due.

K. Unamortized Issuance Costs/Bond Premium and Discount/Accounting Gain or Loss

On the government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Unamortized issuance costs are recorded as a separate line item on the statement of net assets.

Bond premiums are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized using the bonds outstanding method, which approximates the effective interest method, over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt. On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period.

A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 9.A.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The amount restricted for other purposes represents amounts restricted for food service operations and a special revenue trust.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

O. Estimates

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

P. Interfund Activity

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

Interfund activities between governmental funds are eliminated in the statement of activities.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. The District had neither type of occurrence for fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	<u>General</u>	<u>Bond Retirement</u>	<u>Classroom Facilities</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental</u>
Fund balance as previously reported	\$ 3,247,152	\$ 2,934,299	\$ 4,617,758	\$ 3,049,106	\$ 13,848,315
Fund reclassifications:					
Uniform school supplies	29,922	-	-	(29,922)	-
Underground storage tank	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>(11,000)</u>	<u>-</u>
Total fund reclassifications	<u>40,922</u>	<u>-</u>	<u>-</u>	<u>(40,922)</u>	<u>-</u>
Restated fund balance at July 1, 2010	<u>\$ 3,288,074</u>	<u>\$ 2,934,299</u>	<u>\$ 4,617,758</u>	<u>\$ 3,008,184</u>	<u>\$ 13,848,315</u>

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. The District has elected to report only the legally budgeted general fund in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

Budgetary Basis

	<u>General Fund</u>
Balance at June 30, 2010	\$ 4,701,121
Funds budgeted elsewhere	<u>(636)</u>
Restated balance at July 1, 2010	<u>\$ 4,700,485</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
EMIS	\$ 3,630
Education jobs	34,484
ECSE	1,189

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above 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);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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.

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash with Escrow Agent

At fiscal year end, \$64,014 was on deposit for retainage obligations to contractors. This amount is part of the internal cash pool, but reported on the financial statements as "cash with escrow agent".

B. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$5,626,433, exclusive of the repurchase agreement reported below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$4,829,077 of the District's bank balance of \$5,660,040 was exposed to custodial risk as discussed below, while \$830,963 was covered by the FDIC.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

C. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment maturities</u>			
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>
FHLB	\$ 201,792	\$ -	\$ -	\$ -	\$ 201,792
U.S. Treasury notes	1,207,341	226,379	980,962	-	-
FNMA	501,070	-	-	250,088	250,982
Repurchase agreement	5,861,589	5,861,589	-	-	-
U.S. government money market mutual funds	317,490	317,490	-	-	-
Total investments	<u>\$ 8,089,282</u>	<u>\$ 6,405,458</u>	<u>\$ 980,962</u>	<u>\$ 250,088</u>	<u>\$ 452,774</u>

The weighted average maturity of investments is 0.23 years.

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The U.S. government money market mutual funds carry a rating of AAAM by Standard & Poor's. The District's investments in U.S. Treasury notes, federal agency securities and in the federal agency securities that underlie the repurchase agreement, were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services, respectively. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State statute.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury notes and federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair value</u>	<u>% of total</u>
FHLB	\$ 201,792	2.49
U.S. Treasury notes	1,207,341	14.93
FNMA	501,070	6.20
Repurchase agreement	5,861,589	72.46
U.S. government money market mutual funds	<u>317,490</u>	<u>3.92</u>
Total investments	<u>\$ 8,089,282</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 5,626,433
Investments	8,089,282
Cash with escrow agent	<u>64,014</u>
Total	<u>\$ 13,779,729</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 13,218,732
Private purpose trust fund	444,433
Agency fund	<u>116,564</u>
Total	<u>\$ 13,779,729</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund financial statements:

<u>Transfers to nonmajor governmental funds from:</u>	<u>Amount</u>
General	\$ 161,510

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements. No interfund transfers are reported on the statement of activities.

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Fulton County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$359,166 in the general fund, \$154,968 in the bond retirement fund, \$13,277 in the permanent improvement fund, a nonmajor governmental fund, and \$7,043 in the classroom facilities maintenance fund, a nonmajor governmental fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$374,248 in the general fund, \$185,574 in the bond retirement fund, \$13,896 in the permanent improvement fund, a nonmajor governmental fund, and \$7,384 in the classroom facilities maintenance fund, a nonmajor governmental fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 183,961,640	96.41	\$ 184,854,600	96.27
Public utility personal	<u>6,853,240</u>	<u>3.59</u>	<u>7,174,830</u>	<u>3.73</u>
Total	<u>\$ 190,814,880</u>	<u>100.00</u>	<u>\$ 192,029,430</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$ 47.08		\$ 48.78	

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts, accrued interest and intergovernmental grants and entitlements. 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 reported on the statement of net assets follows:

Governmental activities:

Taxes	\$ 7,055,984
Accounts	1,276
Intergovernmental	159,625
Accrued interest	<u>4,985</u>
Total	<u>\$ 7,221,870</u>

Receivables have been disaggregated on the face of the basic financial statements. An intergovernmental receivable in the amount of \$4,818 reported in the classroom facilities fund is expected to be collected over the next fiscal year as the Ohio Schools Facilities Commission construction project is completed. All other receivables are also expected to be collected within the subsequent year.

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 908,233	\$ -	\$ (921)	\$ 907,312
Construction in progress	<u>17,293,659</u>	<u>2,250,371</u>	<u>(1,352,008)</u>	<u>18,192,022</u>
Total capital assets, not being depreciated	<u>18,201,892</u>	<u>2,250,371</u>	<u>(1,352,929)</u>	<u>19,099,334</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,382,552	-	-	2,382,552
Buildings and improvements	28,480,069	1,151,149	-	29,631,218
Furniture, fixtures and equipment	1,347,297	297,547	(24,419)	1,620,425
Vehicles	<u>1,302,362</u>	<u>183,629</u>	<u>-</u>	<u>1,485,991</u>
Total capital assets, being depreciated	<u>33,512,280</u>	<u>1,632,325</u>	<u>(24,419)</u>	<u>35,120,186</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(342,152)	(148,397)	-	(490,549)
Buildings and improvements	(2,271,726)	(381,194)	-	(2,652,920)
Furniture, fixtures and equipment	(222,581)	(117,109)	21,906	(317,784)
Vehicles	<u>(742,776)</u>	<u>(73,973)</u>	<u>-</u>	<u>(816,749)</u>
Total accumulated depreciation	<u>(3,579,235)</u>	<u>(720,673)</u>	<u>21,906</u>	<u>(4,278,002)</u>
Depreciable capital assets, net	<u>29,933,045</u>	<u>911,652</u>	<u>(2,513)</u>	<u>30,842,184</u>
Governmental activities capital assets, net	<u>\$ 48,134,937</u>	<u>\$ 3,162,023</u>	<u>\$ (1,355,442)</u>	<u>\$ 49,941,518</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 257,634
Special	44,269
Vocational	8,667
<u>Support services:</u>	
Pupil	15,294
Instructional staff	24,767
Administration	58,376
Operations and maintenance	121,027
Pupil transportation	69,423
Extracurricular activities	79,562
Food service operations	<u>41,654</u>
Total depreciation expense	<u>\$ 720,673</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS

A. Changes in the District's long-term obligations during fiscal year 2011 were as follows:

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental activities:					
<u>General obligation bonds:</u>					
School improvement bonds - series 1997	\$ 145,000	\$ -	\$ (145,000)	\$ -	\$ -
Refunding bonds - series 2005:					
Current interest	7,195,000	-	(550,000)	6,645,000	560,000
Capital appreciation	384,993	-	-	384,993	-
Accreted interest	409,915	100,720	-	510,635	-
Classroom facilities and school improvement bonds - series 2007	<u>17,825,000</u>	<u>-</u>	<u>(410,000)</u>	<u>17,415,000</u>	<u>425,000</u>
Total general obligation bonds	<u>25,959,908</u>	<u>100,720</u>	<u>(1,105,000)</u>	<u>24,955,628</u>	<u>985,000</u>
<u>Other long-term obligations:</u>					
Compensated absences	<u>1,659,428</u>	<u>136,044</u>	<u>(125,738)</u>	<u>1,669,734</u>	<u>250,518</u>
Total governmental activities long-term obligations	<u>\$ 27,619,336</u>	<u>\$ 236,764</u>	<u>\$ (1,230,738)</u>	26,625,362	<u>\$ 1,235,518</u>
				Add: premium on bonds	603,926
				Less: deferred amount on refunding	<u>(284,979)</u>
				Total on statement of net assets	<u>\$ 26,944,309</u>

School Improvement Bonds - Series 1997 - On February 1, 1997 the District issued school improvement bonds, in the amount of \$13,764,838. The bond issue included serial, term and capital appreciation bonds, in the amount of \$5,690,000, \$7,795,000 and \$279,837, respectively. The bonds were issued for a twenty-five year period, with final maturity during fiscal year 2023. In fiscal year 2005, the term bonds were advance refunded. The refunded bonds were fully retired on June 1, 2007. The capital appreciation bonds were paid in full. The remaining bonds were retired through the bond retirement fund during fiscal year 2011.

School Improvement Refunding Bonds - Series 2005 - On October 1, 2004, the District issued school improvement refunding bonds, in the amount of \$9,479,993, to partially refund bonds previously issued in fiscal year 1997, to improve school facilities. The bond issue included serial and capital appreciation bonds, in the amount of \$9,095,000 and \$384,993, respectively. The bonds were issued for an eighteen year period, with final maturity during fiscal year 2023. The bonds will be retired through the bond retirement fund.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

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

The capital appreciation bonds are not subject to prior redemption. The capital appreciation bonds will mature in fiscal years 2013 and 2014. The accreted value at maturity for the capital appreciation bonds is \$1,165,000. Total accreted interest of \$510,635 has been included on the statement of net assets at June 30, 2011.

Classroom Facilities and School Improvement Bonds - Series 2007 - On February 28, 2007, the District issued classroom facilities and school improvement bonds, in the amount of \$18,835,000, for constructing, adding to, renovating, remodeling, furnishing, equipping, and improving District buildings. The bond issue included serial and term bonds, in the amount of \$5,915,000 and \$12,920,000, respectively. The bonds were issued for a twenty-eight year period, with final maturity during fiscal year 2035. The bonds will be retired through the bond retirement fund.

As of fiscal year end, \$1,800,270 of the bond proceeds was unspent.

The term bonds maturing on December 1, 2021, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2020, in the amount of \$610,000 (with the balance of \$640,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2023, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2022, in the amount of \$670,000 (with the balance of \$705,000 to be paid at stated maturity on December 1, 2023), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2025, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2024, in the amount of \$740,000 (with the balance of \$775,000 to be paid at stated maturity on December 1, 2025), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2027, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1, 2026, in the amount of \$815,000 (with the balance of \$850,000 to be paid at stated maturity on December 1, 2027), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The term bonds maturing on December 1, 2034, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the District. The mandatory redemption is to occur on December 1 in each of the years 2028 through 2033 (with the balance of \$1,145,000 to be paid at stated maturity on December 1, 2024), at a redemption price equal to 100 percent of the principal amount redeemed, plus accrued interest to the redemption date, according to the following schedule:

Year	Amount
2028	\$ 895,000
2029	930,000
2030	975,000
2031	1,010,000
2032	1,060,000
2033	1,100,000

Term bonds redeemed by other than mandatory redemption, or purchased for cancellation may be credited against the applicable mandatory redemption requirement.

The serial bonds are subject to optional redemption, by and at the sole option of the District, either in whole or in part and in integral multiples of \$5,000, on any date on or after December 1, 2017, at a redemption price of 100 percent of the principal amount redeemed, plus accrued interest to the redemption date.

Compensated absences - Compensated absences will be paid from the fund the employee is paid, which is primarily the general fund and the food service fund, a nonmajor governmental fund.

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

Year Ended	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 985,000	\$ 1,023,089	\$ 2,008,089	\$ -	\$ -	\$ -
2013	440,000	996,688	1,436,688	205,639	379,361	585,000
2014	455,000	978,788	1,433,788	179,354	400,646	580,000
2015	1,060,000	949,220	2,009,220	-	-	-
2016	1,100,000	907,659	2,007,659	-	-	-
2017 - 2021	6,235,000	3,784,850	10,019,850	-	-	-
2022 - 2026	5,005,000	2,427,412	7,432,412	-	-	-
2027 - 2031	4,465,000	1,416,756	5,881,756	-	-	-
2032 - 2035	4,315,000	376,231	4,691,231	-	-	-
Total	<u>\$ 24,060,000</u>	<u>\$ 12,860,693</u>	<u>\$ 36,920,693</u>	<u>\$ 384,993</u>	<u>\$ 780,007</u>	<u>\$ 1,165,000</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. 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 code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$(4,198,825) (including available funds of \$2,963,519) and an unvoted debt margin of \$192,029. The District has been authorized by the Ohio Superintendent of Public Instruction to exceed its overall limitation because it has been designated as a "special needs" school district.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the District contracted for the following insurance coverage.

Coverage provided by the Ohio School Plan is as follows:

General Liability	
General Aggregate Limit	\$5,000,000
Blanket Property (\$1,000 deductible)	48,340,127
Vehicle Liability	3,000,000
Uninsured/Underinsured Motorists	1,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage (except blanket property which decreased 9.4% due to the closing of two buildings) from the prior fiscal year.

For fiscal year 2011, the District participated in the Ohio School Plan ("the Plan"), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 10 - RISK MANAGEMENT - (Continued)

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

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Health Care Benefits

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

NOTE 12 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$217,144, \$232,002 and \$170,064, respectively; 55.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 12 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$1,093,368, \$1,057,788 and \$1,066,828, respectively; 83.79 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$42,648 made by the District and \$30,463 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under "*Media/Financial Reports*".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010 and 2009 were \$61,860, \$44,686 and \$112,992, respectively; 55.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$13,974, \$13,797 and \$14,032, respectively; 55.21 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$84,105, \$81,368 and \$82,064, respectively; 83.79 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ (684,130)
Net adjustment for revenue accruals	(12,375)
Net adjustment for expenditure accruals	(47,932)
Net adjustment for other sources/uses	1,905
Funds budgeted elsewhere	(1,818)
Adjustment for encumbrances	16,353
GAAP basis	\$ (727,997)

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the uniform school supplies fund, the internal rotary fund and the underground storage tank fund.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - 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 are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the District.

NOTE 16 - SET-ASIDES

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside balance June 30, 2010	\$ -	\$ -
Current year set-aside requirement	301,179	301,179
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(190,106)	(432,466)
Excess qualified expenditures from prior years	(643,930)	-
Current year offsets	-	(331,773)
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ (532,857)</u>	<u>\$ (463,060)</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside balance June 30, 2011	<u>\$ -</u>	<u>\$ -</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 16 - SET-ASIDES - (Continued)

The District had qualifying disbursements and offsets during the fiscal year that reduced the textbook set-aside amount to below zero. Effective July 1, 2011, the textbook set-aside is no longer required and has been removed from existing law. This negative balance is therefore not being presented as being carried forward to a future fiscal year. Although the District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future fiscal years. The negative balance is therefore not presented as being carried forward to future fiscal years.

During fiscal year 2007, the District issued \$18,835,000 in capital related school improvement bonds. These proceeds may be used to reduce the capital improvements set-aside amount to below zero for future years. The amount presented for prior year offset from bond proceeds is limited to an amount needed to reduce the capital improvements set-aside balance to \$0. The District is responsible for tracking the amount of bond proceeds that may be used as an offset in future periods, which was \$18,835,000 at June 30, 2011.

NOTE 17 - DONOR RESTRICTED ENDOWMENTS

Prior to fiscal year 2011, the District's private purpose trust fund consisted of donor restricted endowments and realized and unrealized appreciation on investments. During fiscal year 2011, the District contacted donors and had the restrictions to the endowments removed because interest earnings were insufficient to award any scholarships. Therefore, the amount that is available for expenditures by the District is \$444,822 and is reflected as held in trust for scholarships.

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 13,325
Classroom facilities	226,921
Other governmental	<u>213,123</u>
 Total	 \$ <u>453,369</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2011, the District has commitments with the following companies for the construction project.

	Contract Amount	Amount Paid as of June 30, 2011	Amount Remaining on Contract
Andre Land Forming	\$ 48,000	\$ 35,010	\$ 12,990
Becker Impression	31,235	26,975	4,260
Beilharz Architects Inc.	63,470	60,782	2,688
Bowser Morner	52,139	27,720	24,419
Breckenridge Kitchen Equipment	106,681	84,810	21,871
Chapel Romanoff	299,646	278,963	20,683
Fanning & Howey Inc.	1,936,609	1,909,794	26,815
Folding Equipment	440,334	411,422	28,912
Four Seasons Environmental	129,590	116,571	13,019
Granite Industries	70,843	-	70,843
Johnson Controls	803,373	777,068	26,305
Rupp Rosebrock	492,900	415,367	77,533
Spieker Company	4,988,159	4,776,602	211,557
Starks Inc.	736,105	697,924	38,181
Torrence Sound	35,356	-	35,356
Warner Mechanical Corp.	4,333,728	4,315,811	17,917
Woolace Electric Corp.	3,929,537	3,925,953	3,584
Total	\$ 18,497,705	\$ 17,860,772	\$ 636,933

These contractual commitments relate to the OSFC project undertaken by the District. In addition to the amounts paid above, the District has recorded contracts payable and retainage payable in the amounts of \$170,318 and \$64,014, respectively, for costs incurred prior to fiscal year end on the OSFC project. Costs incurred by fiscal year end (including contracts and retainage payable) have been recorded as construction-in-progress in the District's capital assets (See Note 8).

SUPPLEMENTARY DATA

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Child Nutrition Grant Cluster				
(D) (E) School Breakfast Program	10.553	2010	\$ 2,480	\$ 2,480
(D) (E) School Breakfast Program	10.553	2011	35,622	35,622
Total School Breakfast Program			<u>38,102</u>	<u>38,102</u>
(D) (E) National School Lunch Program	10.555	2010	36,470	36,470
(D) (E) National School Lunch Program	10.555	2011	280,846	280,846
(C) (D) National School Lunch Program - Food Donation	10.555	2010	37,738	37,738
Total National School Lunch Program			<u>355,054</u>	<u>355,054</u>
Total U.S. Department of Agriculture and Child Nutrition Grant Cluste			<u>393,156</u>	<u>393,156</u>
U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION				
Title I Grant Cluster:				
(F) Title I Grants to Local Educational Agencies	84.010	2010	29,713	30,370
(F) Title I Grants to Local Educational Agencies	84.010	2011	163,516	158,245
Total Title I Grants to Local Educational Agencies			<u>193,229</u>	<u>188,615</u>
(F) (H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	499	-
(F) (H) ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011	39,184	39,184
Total ARRA - Title I Grants to Local Educational Agencies, Recovery Act			<u>39,683</u>	<u>39,184</u>
Total Title I Grant Cluster			<u>232,912</u>	<u>227,799</u>
Special Education Grant Cluster:				
(G) Special Education_Grants to States	84.027	2010	52,124	36,091
(G) Special Education_Grants to States	84.027	2011	313,348	298,707
Total Special Education_Grants to States			<u>365,472</u>	<u>334,798</u>
(G) (H) ARRA - Special Education Grants to States, Recovery Act	84.391	2010	84,173	66,350
(G) (H) ARRA - Special Education Grants to States, Recovery Act	84.391	2011	61,773	61,773
Total ARRA - Special Education Grants to States, Recovery Act			<u>145,946</u>	<u>128,123</u>
(G) Special Education_Preschool Grants	84.173	2010	1,730	1,494
(G) Special Education_Preschool Grants	84.173	2011	8,109	7,376
Total Special Education_Preschool Grants			<u>9,839</u>	<u>8,870</u>
(G) (H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	(51)	-
(G) (H) ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011	2,508	2,508
Total ARRA - Special Education - Preschool Grants, Recovery Act			<u>2,457</u>	<u>2,508</u>
Total Special Education Grant Cluster			<u>523,714</u>	<u>474,299</u>
Education Technology State Grants	84.318	2011	652	652
English Language Acquisition Grants	84.365	2010	2,208	224
English Language Acquisition Grants	84.365	2011	10,554	10,452
Total English Language Acquisition Grants			<u>12,762</u>	<u>10,676</u>
Improving Teacher Quality State Grants	84.367	2010	7,968	10,090
Improving Teacher Quality State Grants	84.367	2011	55,450	52,452
Total Improving Teacher Quality State Grants			<u>63,418</u>	<u>62,542</u>
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	2011	668,926	668,926
ARRA - State Fiscal Stabilization Fund (SFSF) - Race-to-the-Top Incentive Grants, Recovery Act	84.395	2011	4,198	3,952
Education Jobs Fund	84.410	2011	429,672	395,220
Total U.S. Department of Education			<u>1,936,254</u>	<u>1,844,066</u>
Total Federal Financial Assistance			<u>\$ 2,329,410</u>	<u>\$ 2,237,222</u>

-continued

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Notes to the Schedule of Receipts and Expenditures of Federal Awards

- (A) OAKS did not assign pass-through numbers for fiscal year 2011.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of "Child Nutrition Grant Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of "Title I Grant Cluster" in determining major programs.
- (G) Included as part of "Special Education Grant Cluster" in determining major programs.
- (H) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2011, the ODE authorized the following transfer:

Program Title	CFDA Number	Grant Year	Transfer Out	Transfer In
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2010	7,500	
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	2011		7,500
ARRA - Special Education Grants to States, Recovery Act	84.391	2010	3,377	
ARRA - Special Education Grants to States, Recovery Act	84.391	2011		3,377
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2010	1,676	
ARRA - Special Education - Preschool Grants, Recovery Act	84.392	2011		1,676
Totals			<u>\$ 12,553</u>	<u>\$ 12,553</u>



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Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wauseon Exempted Village School District, Fulton County, Ohio, as of and for the fiscal year ended June 30, 2011, which collectively comprise the Wauseon Exempted Village School District's basic financial statements and have issued our report thereon dated November 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wauseon Exempted Village School District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Wauseon Exempted Village School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Wauseon Exempted Village School District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Wauseon Exempted Village School District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Board of Education
Wauseon Exempted Village School District

Compliance and Other Matters

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

We intend this report solely for the information and use of the management and Board of Education of the Wauseon Exempted Village School District, federal awarding agencies and pass-through entities, and others within the Wauseon Exempted Village School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 18, 2011



Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Accountants' Report on Compliance With Requirements Applicable to Each
Major Federal Program and on Internal Control Over Compliance
Required by OMB Circular A-133**

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

To the Board of Education:

Compliance

We have audited the compliance of the Wauseon Exempted Village School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could directly and materially affect each of the Wauseon Exempted Village School District's major federal programs for the fiscal year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the Wauseon Exempted Village School District's major federal programs. The Wauseon Exempted Village School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the Wauseon Exempted Village School 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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the Wauseon Exempted Village School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Wauseon Exempted Village School District's compliance with those requirements.

In our opinion, the Wauseon Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2011.

Internal Control Over Compliance

The Wauseon Exempted Village School District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Wauseon Exempted Village School District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Wauseon Exempted Village School District's internal control over compliance.

Board of Education
Wauseon Exempted Village School District

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the management and Board of Education of the Wauseon Exempted Village School District, federal awarding agencies and pass-through entities, and others within the Wauseon Exempted Village School District. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
November 18, 2011

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education_Grants to States, CFDA #84.027; ARRA-Special Education Grants to States, Recovery Act, CFDA #84.391; Special Education_Preschool Grants, CFDA #84.173; and ARRA-Special Education-Preschool Grants, Recovery Act, CFDA #84.392; ARRA-State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, CFDA #84.394; and ARRA-Education Jobs Fund, CFDA #84.410
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: > \$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY, OHIO**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
JUNE 30, 2011**

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wauseon Exempted Village School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 24, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

Julian & Grube, Inc.
November 18, 2011

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Dave Yost • Auditor of State

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 17, 2012**