



Dave Yost • Auditor of State

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets	12
Statement of Activities.....	13
Fund Financial Statements:	
Balance Sheet –Governmental Funds	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	15
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance- Budget and Actual (NON-GAAP Budgetary Basis)-General Fund	18
Statement of Fiduciary Net Assets-Fiduciary Fund	19
Notes to the Basic Financial Statements	21
Federal Awards Receipts and Expenditures Schedule.....	49
Notes to the Federal Awards Receipts and Expenditures Schedule	50
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	51
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	53
Schedule of Findings.....	55

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Waterloo Local School District
Portage County
1464 Industry Road
Atwater, Ohio 44201

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 Waterloo Local School District, Portage County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterloo Local School District, Portage County, Ohio, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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 District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditures schedule 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.



Dave Yost
Auditor of State

March 8, 2013

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 2012?" 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 of non-instructional services, extracurricular activities, and intergovernmental operations.

The District's statement of net assets and statement of activities can be found on pages 12-13 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 8. 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 and bond retirement 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 14-18 of this report.

Reporting the District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 19. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

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 21-48 of this report.

The District as a Whole

Recall that 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 2012 and 2011.

	Net Assets	
	Governmental Activities <u>2012</u>	Governmental Activities <u>2011</u>
<u>Assets</u>		
Current and other assets	\$ 7,761,911	\$ 7,517,350
Capital assets, net	<u>15,537,585</u>	<u>16,156,395</u>
Total assets	<u>23,299,496</u>	<u>23,673,745</u>
<u>Liabilities</u>		
Current liabilities	4,635,633	4,714,727
Long-term liabilities	<u>9,603,773</u>	<u>9,958,018</u>
Total liabilities	<u>14,239,406</u>	<u>14,672,745</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	8,387,818	8,337,363
Restricted	1,149,373	1,900,095
Unrestricted (deficit)	<u>(477,101)</u>	<u>(1,236,458)</u>
Total net assets	<u>\$ 9,060,090</u>	<u>\$ 9,001,000</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2012, the District's assets exceeded liabilities by \$9,060,090.

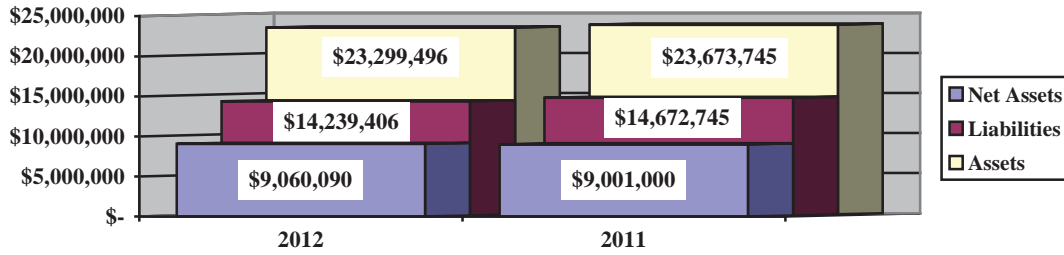
At year-end, capital assets represented 66.69% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2012, were \$8,387,818. These capital assets are used 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, \$1,149,373, represents resources that are subject to external restriction on how they may be used. The remaining deficit balance of unrestricted net assets of \$477,101 is not able to be used to meet the District's ongoing obligations to the students and creditors.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Governmental Activities



The table below shows the change in net assets for fiscal year 2012 and 2011.

Change in Net Assets

	Governmental Activities 2012	Governmental Activities 2011
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 714,423	\$ 693,470
Operating grants and contributions	1,661,930	1,976,181
Capital grants and contributions	3,513	-
General revenues:		
Property taxes	3,767,454	3,392,673
Grants and entitlements	5,961,518	5,913,669
Investment earnings	3,223	6,461
Other	41,043	42,736
Total revenues	<u>12,153,104</u>	<u>12,025,190</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	Change in Net Assets	
	Governmental	Governmental
	Activities	Activities
	<u>2012</u>	<u>2011</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 5,333,371	\$ 5,618,842
Special	1,602,402	1,659,515
Vocational	-	64,326
Other	17,669	17,909
Support services:		
Pupil	421,415	467,726
Instructional staff	353,847	370,402
Board of education	22,725	36,717
Administration	927,338	920,397
Fiscal	328,072	351,666
Business	33,485	34,153
Operations and maintenance	898,710	997,640
Pupil transportation	789,956	892,494
Central	15,735	17,347
Food service operations	391,139	388,973
Operations of non-instructional services	57,426	65,821
Extracurricular activities	375,843	407,994
Interest and fiscal charges	<u>524,881</u>	<u>529,428</u>
Total expenses	<u>12,094,014</u>	<u>12,841,350</u>
Change in net assets	59,090	(816,160)
Net assets at beginning of year	<u>9,001,000</u>	<u>9,817,160</u>
Net assets at end of year	<u>\$ 9,060,090</u>	<u>\$ 9,001,000</u>

Governmental Activities

Net assets of the District's governmental activities increased \$59,090. Total governmental expenses of \$12,094,014 were offset by program revenues of \$2,379,866 and general revenues of \$9,773,238. Program revenues supported 19.68% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 80.05% of total governmental revenue.

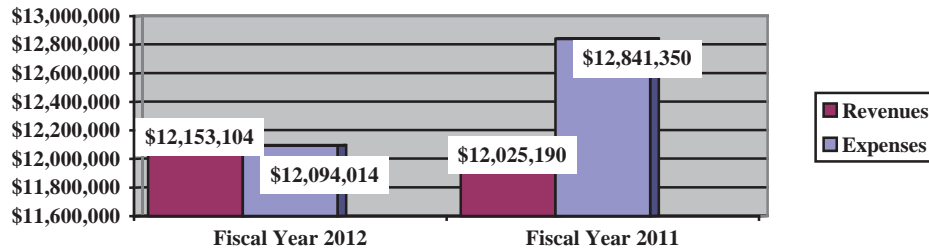
The largest expense of the District is for instructional programs. Instruction expenses totaled \$6,953,442 or 57.49% of total governmental expenses for fiscal 2012.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2012 and 2011.

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.

Governmental Activities

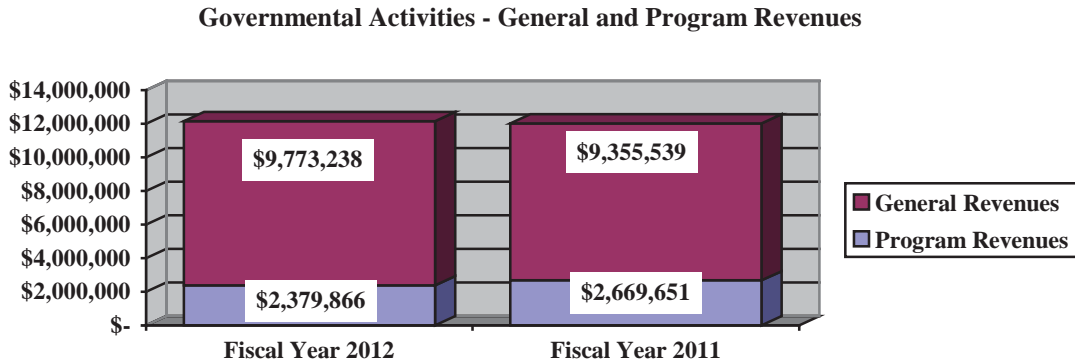
	Total Cost of Services <u>2012</u>	Net Cost of Services <u>2012</u>	Total Cost of Services <u>2011</u>	Net Cost of Services <u>2011</u>
Program expenses				
Instruction:				
Regular	\$ 5,333,371	\$ 4,655,185	\$ 5,618,842	\$ 4,955,902
Special	1,602,402	675,625	1,659,515	658,230
Vocational	-	-	64,326	52,292
Other	17,669	17,669	17,909	17,909
Support services:				
Pupil	421,415	376,882	467,726	425,809
Instructional staff	353,847	346,524	370,402	363,577
Board of education	22,725	22,725	36,717	36,717
Administration	927,338	805,386	920,397	841,766
Fiscal	328,072	328,072	351,666	351,666
Business	33,485	33,485	34,153	33,905
Operations and maintenance	898,710	898,116	997,640	845,857
Pupil transportation	789,956	733,342	892,494	773,102
Central	15,735	15,735	17,347	12,347
Food service operations	391,139	31,645	388,973	19,295
Operations of non-instructional services	57,426	(13,558)	65,821	(7,824)
Extracurricular activities	375,843	262,434	407,994	261,721
Interest and fiscal charges	524,881	524,881	529,428	529,428
Total expenses	<u>\$ 12,094,014</u>	<u>\$ 9,714,148</u>	<u>\$ 12,841,350</u>	<u>\$ 10,171,699</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 76.92% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 80.32%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2012 and 2011.



The District's Funds

The District's governmental funds reported a combined fund balance of \$2,820,774, which is higher than last year's total of \$2,514,950. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and 2011.

	Fund Balance <u>June 30, 2012</u>	Fund Balance <u>June 30, 2011</u>	Increase <u>(Decrease)</u>	Percentage <u>Change</u>
General	\$ 544,186	\$ 236,798	\$ 307,388	129.81 %
Bond Retirement	658,244	619,829	38,415	6.20 %
Other Governmental	<u>1,618,344</u>	<u>1,658,323</u>	<u>(39,979)</u>	(2.41) %
Total	<u>\$ 2,820,774</u>	<u>\$ 2,514,950</u>	<u>\$ 305,824</u>	12.16 %

General Fund

The District's general fund balance increased \$307,388. The table that follows assists in illustrating the financial activities and fund balance of the general fund. Taxes increased 10.18%. This increase was attributable to the amount of taxes collected and available to the District as an advance at fiscal year end. Tuition increased due to an increase in open enrollment receipts. Other revenues increased 15.28% primarily due to an increase in extracurricular revenues. Extracurricular activities expenditures decreased 13.58% due to a decrease in salaries and wages. All other revenues and expenditures were comparable to 2011 amounts.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

	<u>2012</u> <u>Amount</u>	<u>2011</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 2,874,502	\$ 2,608,814	\$ 265,688	10.18 %
Tuition	291,526	263,729	27,797	10.54 %
Earnings on investments	1,685	5,274	(3,589)	(68.05) %
Intergovernmental	6,381,475	6,332,000	49,475	0.78 %
Other revenues	<u>195,676</u>	<u>169,744</u>	<u>25,932</u>	15.28 %
Total	<u>\$ 9,744,864</u>	<u>\$ 9,379,561</u>	<u>\$ 365,303</u>	3.89 %
<u>Expenditures</u>				
Instruction	\$ 5,910,335	\$ 6,087,265	\$ (176,930)	(2.91) %
Support services	3,323,425	3,584,043	(260,618)	(7.27) %
Extracurricular activities	<u>200,464</u>	<u>231,955</u>	<u>(31,491)</u>	(13.58) %
Total	<u>\$ 9,434,224</u>	<u>\$ 9,903,263</u>	<u>\$ (469,039)</u>	(4.74) %

Bond Retirement Fund

The bond retirement fund had \$962,779 in revenues and \$924,364 in expenditures. During fiscal year 2012 the bond retirement fund's fund balance increased \$38,415 from \$619,829 to \$658,244.

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 2012, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$9,664,856 and final budgeted revenues and other financing sources were \$9,716,707. Actual revenues and other financing sources for fiscal 2012 was \$9,791,121. This represents a \$74,414 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,337,293 were decreased to \$9,837,621 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2012 increased \$1 from the final appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2012, the District had \$15,537,585 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

The following table shows fiscal 2012 balances compared to 2011:

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

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Land	\$ 299,298	\$ 299,298
Land improvements	524,946	584,420
Building and improvements	14,117,323	14,590,390
Furniture and equipment	249,108	323,637
Vehicles	<u>346,910</u>	<u>358,650</u>
Total	<u>\$ 15,537,585</u>	<u>\$ 16,156,395</u>

The overall decrease in capital assets of \$618,810 is due to depreciation expense of \$693,510 exceeding capital outlays of \$74,700 in the fiscal year.

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

Debt Administration

At June 30, 2012, the District had \$7,766,033 in general obligation bonds and \$1,166,000 in energy conservation loans outstanding. Of this total, \$600,661 is due within one year and \$8,331,372 is due within greater than one year. The following table summarizes the bonds and notes outstanding.

Outstanding Debt, at Year End

	Governmental Activities	Governmental Activities
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 7,766,033	\$ 8,048,400
Energy conservation notes	<u>1,166,000</u>	<u>1,233,000</u>
Total	<u>\$ 8,932,033</u>	<u>\$ 9,281,400</u>

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

Current Financial Related Activities

Currently, the District's Five Year Forecast shows a positive fund balance through fiscal year 2014. The District relies heavily upon grants, entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District is in a situation where an operating levy will have to be passed by District voters in order for the District to obtain the necessary funds to meet its future operating expenses. Without the passage of a new operating levy, the District will be facing many challenges in the future.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(UNAUDITED)

Since the District relies on the State for roughly 59% of general operating revenues, one of the largest challenges facing the District is that of state funding. State funding has always had an unpredictable past. With a new funding methodology and the current economic environment, the District could face further State funding reductions. If this does occur, it will have a drastic effect on the District's overall financial position.

In conclusion, the District's system of budgeting and internal controls has been well regarded. The last time voters passed new operating money was in 1995. The five-year forecast is utilized by the School Board and Administration to effectively and efficiently manage the District's resources to the fullest.

Contacting the District's Financial Management

This financial report is designed to provide our citizen's taxpayers, and 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 Mr. Todd Carpenter, Treasurer, Waterloo Local School District, 1464 Industry Road, Atwater, Ohio 44201.

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

STATEMENT OF NET ASSETS
JUNE 30, 2012

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents . . .	\$ 3,546,402
Cash in segregated accounts	5,925
Receivables:	
Property taxes	3,998,063
Accounts	1,752
Intergovernmental	73,671
Accrued interest	1,737
Materials and supplies inventory	44,472
Unamortized bond issuance costs	89,889
Capital assets:	
Land	299,298
Depreciable capital assets, net	15,238,287
Capital assets, net	15,537,585
 Total assets	 23,299,496
 Liabilities:	
Accounts payable	25,583
Accrued wages and benefits	865,134
Pension obligation payable	210,489
Intergovernmental payable	24,573
Unearned revenue	3,478,433
Matured interest payable	5,925
Accrued interest payable	25,496
Long-term liabilities:	
Due within one year	646,456
Due in more than one year	8,957,317
 Total liabilities	 14,239,406
 Net Assets:	
Invested in capital assets, net of related debt	8,387,818
Restricted for:	
Debt service	672,130
Classroom facilities maintenance	433,781
State funded programs	8,303
Federally funded programs	16,292
Student activities	18,867
Unrestricted (deficit)	(477,101)
 Total net assets	 \$ 9,060,090

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 5,333,371	\$ 332,973	\$ 345,213	\$ -	\$ (4,655,185)
Special	1,602,402	-	926,777	-	(675,625)
Vocational	-	-	-	-	-
Other	17,669	-	-	-	(17,669)
Support services:					
Pupil	421,415	-	44,533	-	(376,882)
Instructional staff	353,847	-	7,323	-	(346,524)
Board of education	22,725	-	-	-	(22,725)
Administration	927,338	112,592	9,360	-	(805,386)
Fiscal	328,072	-	-	-	(328,072)
Business	33,485	-	-	-	(33,485)
Operations and maintenance	898,710	594	-	-	(898,116)
Pupil transportation	789,956	-	53,101	3,513	(733,342)
Central	15,735	-	-	-	(15,735)
Operation of non-instructional services:					
Food service operations	391,139	159,011	200,483	-	(31,645)
Other non-instructional services	57,426	-	70,984	-	13,558
Extracurricular activities	375,843	109,253	4,156	-	(262,434)
Interest and fiscal charges	524,881	-	-	-	(524,881)
Totals	\$ 12,094,014	\$ 714,423	\$ 1,661,930	\$ 3,513	(9,714,148)

General Revenues:

Property taxes levied for:	
General purposes	2,864,608
Special revenue	55,859
Debt service	846,987
Grants and entitlements not restricted to specific programs	5,961,518
Investment earnings	3,223
Miscellaneous	41,043
Total general revenues	9,773,238
Change in net assets	59,090
Net assets at beginning of year	9,001,000
Net assets at end of year	\$ 9,060,090

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,273,596	\$ 591,865	\$ 1,680,941	\$ 3,546,402
Cash in segregated accounts	-	5,925	-	5,925
Receivables:				
Taxes	3,027,892	911,290	58,881	3,998,063
Accounts	1,435	-	317	1,752
Intergovernmental	15,709	-	57,962	73,671
Accrued interest	870	-	867	1,737
Interfund receivable	13,508	-	-	13,508
Materials and supplies inventory	27,091	-	17,381	44,472
Total assets	<u>\$ 4,360,101</u>	<u>\$ 1,509,080</u>	<u>\$ 1,816,349</u>	<u>\$ 7,685,530</u>
Liabilities:				
Accounts payable	\$ 23,444	\$ -	\$ 2,139	\$ 25,583
Accrued wages and benefits	787,029	-	78,105	865,134
Matured interest payable	-	5,925	-	5,925
Pension obligation payable	192,632	-	17,857	210,489
Intergovernmental payable	21,124	-	3,449	24,573
Interfund payable	-	-	13,508	13,508
Deferred revenue	169,842	39,382	31,887	241,111
Unearned revenue	2,621,844	805,529	51,060	3,478,433
Total liabilities	<u>3,815,915</u>	<u>850,836</u>	<u>198,005</u>	<u>4,864,756</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	27,091	-	17,381	44,472
Restricted:				
Debt service	-	658,244	-	658,244
Classroom facilities maintenance	-	-	430,856	430,856
Food service operations	-	-	380,605	380,605
Non-public schools	-	-	16,742	16,742
Extracurricular	-	-	18,867	18,867
Committed:				
Capital improvements	-	-	762,478	762,478
Underground storage tank	11,000	-	-	11,000
Assigned:				
Student instruction	92,693	-	-	92,693
Student and staff support	171,070	-	-	171,070
Extracurricular activities	644	-	-	644
Public school support	22,118	-	-	22,118
Subsequent year appropriation	219,570	-	-	219,570
Unassigned (deficit)	-	-	(8,585)	(8,585)
Total fund balances	<u>544,186</u>	<u>658,244</u>	<u>1,618,344</u>	<u>2,820,774</u>
Total liabilities and fund balances	<u>\$ 4,360,101</u>	<u>\$ 1,509,080</u>	<u>\$ 1,816,349</u>	<u>\$ 7,685,530</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012

Total governmental fund balances		\$	2,820,774
<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.			15,537,585
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivables	\$	196,702	
Intergovernmental receivable		43,488	
Accrued interest receivable		921	
Total			241,111
Unamortized bond issuance costs are not recognized in the funds.			89,889
Unamortized deferred charges on refundings are not recognized in the funds.			420,713
Unamortized premiums on bond issuance are not recognized in the funds.			(512,293)
Unamortized discounts on note issuance are not recognized in the funds.			16,338
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(25,496)
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 payable		7,766,033	
Energy conservation note		1,166,000	
Compensated absences		596,498	
Total			(9,528,531)
Net assets of governmental activities		\$	<u>9,060,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Bond Retirement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 2,874,502	\$ 846,103	\$ 56,045	\$ 3,776,650
Tuition	291,526	-	-	291,526
Earnings on investments	1,685	-	1,238	2,923
Charges for services	-	-	159,011	159,011
Extracurricular	112,592	-	109,253	221,845
Classroom materials and fees	41,447	-	-	41,447
Rental income	594	-	-	594
Contributions and donations	1,763	-	4,156	5,919
Other local revenues	39,280	-	3,513	42,793
Intergovernmental - State	6,352,696	116,676	107,599	6,576,971
Intergovernmental - Federal	28,779	-	984,464	1,013,243
Total revenues	9,744,864	962,779	1,425,279	12,132,922
Expenditures:				
Current:				
Instruction:				
Regular	4,670,085	-	355,735	5,025,820
Special	1,222,581	-	370,733	1,593,314
Other	17,669	-	-	17,669
Support services:				
Pupil	368,968	-	42,500	411,468
Instructional staff	282,109	-	35,842	317,951
Board of education	22,725	-	-	22,725
Administration	854,153	4,769	8,034	866,956
Fiscal	297,247	12,978	1,010	311,235
Business	20,652	-	-	20,652
Operations and maintenance	750,399	-	52,139	802,538
Pupil transportation	711,431	-	70,400	781,831
Central	15,741	-	-	15,741
Operation of non-instructional services:				
Other non-instructional services	-	-	54,741	54,741
Food service operations	-	-	333,424	333,424
Extracurricular activities	200,464	-	116,974	317,438
Facilities acquisition and construction	-	-	18,363	18,363
Debt service:				
Principal retirement	-	572,000	-	572,000
Interest and fiscal charges	-	334,617	-	334,617
Total expenditures	9,434,224	924,364	1,459,895	11,818,483
Net change in fund balances	310,640	38,415	(34,616)	314,439
Fund balances at beginning of year	236,798	619,829	1,658,323	2,514,950
Decrease in reserve for inventory	(3,252)	-	(5,363)	(8,615)
Fund balances at end of year	\$ 544,186	\$ 658,244	\$ 1,618,344	\$ 2,820,774

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE 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, 2012

Net change in fund balances - total governmental funds	\$	314,439
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 74,700	
Depreciation expense	<u>(693,510)</u>	
Total		(618,810)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(8,615)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(9,196)	
Interest	876	
Intergovernmental	<u>31,236</u>	
Total		22,916
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		572,000
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	33,215	
Accreted interest on "capital appreciation" bonds	(222,633)	
Amortization of bond issuance costs	(6,915)	
Amortization on bond premiums	41,259	
Amortization on note discounts	(1,307)	
Amortization of deferred charge on refunding	<u>(33,883)</u>	
Total		(190,264)
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.		
		<u>(32,576)</u>
Change in net assets of governmental activities	\$	<u>59,090</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE 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, 2012

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Property taxes	\$ 2,861,312	\$ 2,876,664	\$ 2,898,694	\$ 22,030
Tuition	287,767	289,310	291,526	2,216
Earnings on investments	2,095	2,106	2,122	16
Extracurricular	43,428	43,661	43,995	334
Classroom materials and fees	39,564	39,776	40,081	305
Rental income	586	589	594	5
Contributions and donations	1,481	1,489	1,500	11
Other local revenues	39,429	39,640	39,944	304
Intergovernmental - state	6,270,772	6,304,415	6,352,696	48,281
Intergovernmental - federal	28,408	28,560	28,779	219
Total revenues	<u>9,574,842</u>	<u>9,626,210</u>	<u>9,699,931</u>	<u>73,721</u>
Expenditures:				
Current:				
Instruction:				
Regular	4,665,248	4,821,202	4,821,203	(1)
Special	1,440,415	1,289,066	1,289,066	-
Vocational	64,674	8,448	8,448	-
Other	-	23,948	23,948	-
Support services:				
Pupil	415,134	370,483	370,483	-
Instructional staff	381,345	296,499	296,499	-
Board of education	43,975	31,630	31,630	-
Administration	886,267	794,521	794,521	-
Fiscal	354,323	305,214	305,214	-
Business	40,548	25,353	25,353	-
Operations and maintenance	820,073	865,309	865,309	-
Pupil transportation	934,985	775,830	775,830	-
Central	14,556	16,021	16,021	-
Extracurricular activities	230,750	200,589	200,589	-
Total expenditures	<u>10,292,293</u>	<u>9,824,113</u>	<u>9,824,114</u>	<u>(1)</u>
Excess of expenditures over revenues	<u>(717,451)</u>	<u>(197,903)</u>	<u>(124,183)</u>	<u>73,720</u>
Other financing sources (uses):				
Refund of prior year's expenditures	62,966	63,304	63,789	485
Advances in	26,257	26,398	26,600	202
Advances (out)	(45,000)	(13,508)	(13,508)	-
Sale of capital assets	791	795	801	6
Total other financing sources (uses)	<u>45,014</u>	<u>76,989</u>	<u>77,682</u>	<u>693</u>
Net change in fund balance	(672,437)	(120,914)	(46,501)	74,413
Fund balance at beginning of year	429,189	429,189	429,189	-
Prior year encumbrances appropriated	576,202	576,202	576,202	-
Fund balance at end of year	<u><u>\$ 332,954</u></u>	<u><u>\$ 884,477</u></u>	<u><u>\$ 958,890</u></u>	<u><u>\$ 74,413</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2012

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	<u>\$ 28,051</u>
Total assets.	<u><u>\$ 28,051</u></u>
Liabilities:	
Due to students.	<u>\$ 28,051</u>
Total liabilities	<u><u>\$ 28,051</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District's enrollment as of June 30, 2012 was 1,255. The District employed 93 certified employees and 62 classified employees.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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", and as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is comprised 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 services 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 government's 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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is a data consortium of 32 school districts and community schools. SPARCC was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to the administrative and instructional functions among member districts. Each of the governments of these schools supports SPARCC based upon a per pupil charge, dependent upon the software package utilized. In the event of dissolution of the organization, all current members will share in net obligations or asset liquidations in a ratio proportionate to their last 12 months' financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the member school districts. The degree of control exercised by any school district is limited to its representation on the Board. In accordance with GASB Statement No. 14, and as amended by GASB Statement No. 39, the District does not have any equity interest in SPARCC because a residual interest in the net resources of a joint venture upon dissolution is not equivalent to an equity interest.

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 38th Street NW, Canton, Ohio 44709-2300.

Portage Area School Consortium

The Portage Area School Consortium (the "Consortium") is a regional council of governments established pursuant to Chapter 167 of the Ohio Revised Code, consisting of various school districts in the Portage County, Ohio area. The Consortium is a stand-alone entity, comprised of two stand-alone pools; the Portage Area School Consortium Property and Casualty Pool and the Portage Area School Consortium Health and Welfare Insurance Pool. These pools were established by the Consortium on August 5, 1988 to provide property and casualty risk management services and risk sharing to its members. The pools were established as local government risk pools under Section 1744.081 of the Ohio Revised Code and are not subject to federal tax filing requirements.

Ohio Revised Code Section 167.04 requires the Consortium to adopt bylaws designating the officers of the Consortium and their method of selection, creating a governing body to act for the Consortium, appointing a fiscal officer, and providing for the conduct of the Consortium's business. The Assembly is the legislative and managerial body of the Consortium. The Assembly is composed of representation of the member schools. The member school's governing body appoints representatives to the Consortium (usually the superintendent or designee). In the case of a member that is a school district, that representative shall be an executive appointed by the board of education. The Assembly serves without compensation. The Portage County Educational Service Center acts as the fiscal agent for the consortium. To obtain financial information, write to the Portage County Educational Service Center, Treasurer, at 326 East Main Street, Ravenna, Ohio 44266.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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 - A debt service fund provided for the retirement of bonds and short term notes and loans. All revenue derived from general or special levies, either within or exceeding the ten-mill limitation, which is levied for debt charges on bonds, notes, or loans, shall be paid into this fund.

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.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student activities.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

Agency funds do not report a measurement focus as they do 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 Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On 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.

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).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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, 2012, but which were levied to finance fiscal year 2013 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, 2012 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 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 governmental funds.

E. Budgets

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2012 is as follows:

1. On or before February 1, the fiscal officer of the District must submit the alternative tax budget for the subsequent fiscal year to the Portage County Auditor. The alternative tax budget includes all proposed expenditures and the means of financing these expenditures for all funds. The purpose of the alternative tax budget is to reflect the need for existing (or increased) tax rates, as determined by the Portage County Budget Commission.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to 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 a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2012.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control has been established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2012; however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in several bank accounts. 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 cash equivalents" on the basic financial statements.

During fiscal year 2012, investments were limited to negotiable certificates of deposit (CD's), a money market mutual fund and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

The District has invested funds in STAR Ohio during fiscal year 2012. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2012 amounted to \$1,685, which includes \$736 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 purchase method on the fund financial statements.

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

H. Capital Assets

General capital assets are those assets specifically related to governmental 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. During fiscal year 2012, the District maintained a capitalization threshold of \$5,000. 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. The District does not possess infrastructure.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	Governmental Activities <u>Estimated Lives</u>
Land improvements	5 - 20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 20 years
Vehicles	5 - 10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfunds receivable/payable”. These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. 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 June 30, 2012, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with twenty 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, 2012, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line 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 accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, 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 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.

L. 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 and notes are recognized as a liability on the fund financial statements when due.

M. 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. It also includes the long-term amount of loans receivable.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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.

N. Net Assets

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

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

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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

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.

Q. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2012.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Changes in Accounting Principles

For fiscal year 2012, the District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2012 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Education jobs	\$ 1,177
Race to the top	1
IDEA Part-B	3,964
Title I	3,401
Improving teacher quality	42

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) or (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) investment pool;
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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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 on Hand

At fiscal year end, the District had \$2,150 in undeposited cash on hand, which is included in "equity in pooled cash and cash equivalents" in the financial statements of the District.

B. Cash in Segregated Accounts

At fiscal year end, the District had \$5,925 of cash in segregated accounts, which is not included in "equity in pooled cash and cash equivalents" in the financial statements of the District. This cash in segregated accounts represents matured interest payable to investors who previously held bond coupons of the District.

C. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all District deposits was \$787,682. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$405,606 of the District's bank balance of \$883,936 was covered by the FDIC, while \$478,330 was exposed to custodial risk as discussed below.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

D. Investments

As of June 30, 2012, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 1,033,969	\$ 1,033,969
Negotiable CD's	1,243,870	1,243,870
Money market mutual fund	<u>506,782</u>	<u>506,782</u>
Total	<u>\$ 2,784,621</u>	<u>\$ 2,784,621</u>

The weighted average maturity of investments is .11 years.

Interest Rate Risk: 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: STAR Ohio carries a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The money market mutual fund carries a rating of Aaa from Moody's. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by the State statute.

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 present value of its investments or collateral securities that are in the possession of an outside party. 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, 2012:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 1,033,969	37.13
Negotiable CD's	1,243,870	44.67
Money market mutual fund	<u>506,782</u>	<u>18.20</u>
Total	<u>\$ 2,784,621</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

E. 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 disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2012:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 787,682
Investments	2,784,621
Cash in segregated accounts	5,925
Cash on hand	<u>2,150</u>
Total	<u>\$ 3,580,378</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 3,552,327
Agency fund	<u>28,051</u>
Total	<u>\$ 3,580,378</u>

NOTE 5 - INTERFUND TRANSACTIONS

At June 30, 2012, interfund balances consisted of the following interfund loans receivable and payable, as reported in the fund financial statements:

<u>Interfund loans receivable reported in the general fund:</u>	<u>Amount</u>
Nonmajor governmental funds	<u>\$ 13,508</u>

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2012 are reported on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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 and public utility property. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of calendar year 2011 taxes. Public utility real and personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, 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.

The District receives property taxes from Portage 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, 2012, are available to finance fiscal year 2012 operations. The amount available as an advance at June 30, 2012 was \$251,653 in the general fund, \$66,379 in the bond retirement fund and \$4,896 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2011 was \$275,845 in the general fund, \$66,342 in the bond retirement fund and \$5,356 in the classroom facilities maintenance special revenue 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, 2012 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second- Half Collections		2012 First- Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 154,779,180	97.18	\$ 152,254,540	97.02
Public utility personal	<u>4,495,130</u>	<u>2.82</u>	<u>4,670,140</u>	<u>2.98</u>
Total	<u>\$ 159,274,310</u>	<u>100.00</u>	<u>\$ 156,924,680</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
General obligations	\$49.10		\$48.90	
Bonded debt	5.03		5.47	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2012 consisted of taxes, accounts (billings for user charged services and student fees), 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:

<u>Governmental activities:</u>	<u>Amount</u>
Taxes	\$ 3,998,063
Accounts	1,752
Intergovernmental	73,671
Accrued interest	<u>1,737</u>
Total	<u>\$ 4,075,223</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>06/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/12</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 299,298	\$ -	\$ -	\$ 299,298
<i>Total capital assets, not being depreciated</i>	<u>299,298</u>	<u>-</u>	<u>-</u>	<u>299,298</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,059,305	-	-	1,059,305
Buildings and improvements	20,446,855	-	-	20,446,855
Equipment and furniture	1,563,980	-	-	1,563,980
Vehicles	1,344,639	74,700	(154,269)	1,265,070
<i>Total capital assets, being depreciated</i>	<u>24,414,779</u>	<u>74,700</u>	<u>(154,269)</u>	<u>24,335,210</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(474,885)	(59,474)	-	(534,359)
Buildings and improvements	(5,856,465)	(473,067)	-	(6,329,532)
Equipment and furniture	(1,240,343)	(74,529)	-	(1,314,872)
Vehicles	(985,989)	(86,440)	154,269	(918,160)
<i>Total accumulated depreciation</i>	<u>(8,557,682)</u>	<u>(693,510)</u>	<u>154,269</u>	<u>(9,096,923)</u>
Total capital assets, net	<u>\$ 16,156,395</u>	<u>\$ (618,810)</u>	<u>\$ -</u>	<u>\$ 15,537,585</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 302,359
Special	15,604
<u>Support services:</u>	
Pupil	10,065
Instructional staff	35,111
Administration	35,362
Fiscal	4,202
Business	12,833
Operations and maintenance	79,176
Pupil transportation	88,297
Extracurricular activities	58,506
Food service operations	51,995
Total depreciation expense	<u>\$ 693,510</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2012, the following changes occurred in governmental activities long-term obligations. Compensated absences will be paid out of the fund from which the employee is paid, primarily the general fund.

	Balance			Balance	Amount
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 2001 construction:					
Current interest	\$ 400,000	\$ -	\$ (400,000)	\$ -	\$ -
Series 2006 refunding:					
Current interest	6,940,000	-	(105,000)	6,835,000	-
Capital appreciation	164,999	-	-	164,999	94,046
Accreted interest	543,401	222,633	-	766,034	436,615
<u>Other long-term obligations:</u>					
Energy conservation note	1,233,000	-	(67,000)	1,166,000	70,000
Compensated absences	<u>595,307</u>	<u>114,506</u>	<u>(113,315)</u>	<u>596,498</u>	<u>45,795</u>
Total	<u>\$ 9,876,707</u>	<u>\$ 337,139</u>	<u>\$ (685,315)</u>	9,528,531	<u>\$ 646,456</u>
Less: Unamortized deferred charge on refunding				(420,713)	
Add: Unamortized premium on refunding				512,293	
Less: Unamortized discount on note				<u>(16,338)</u>	
Total on statement of net assets				<u>\$ 9,603,773</u>	

B. General Obligation Bonds - Series 2001 Construction

On May 3, 2001, the District issued general obligation bonds to provide funds for the construction and renovation of the high school to house grades K-12 and the abandonment and demolition of the current elementary and middle schools (hereinafter called "Construction Project"). These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as expenditures in the bond retirement debt service fund. The source of payment is derived from a current 7.45 mils bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). As of the completion of the Construction Project, the total cost of the project was \$25,522,356, of which the OSFC paid \$15,087,193

In conjunction with the 7.45 mils which support the bond issue, the District also passed in fiscal year 2001 a 0.5 mil levy to ultimately fund the maintenance costs of the new facilities. Tax revenue from this levy has been reported in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

This issue is comprised of both current interest bonds, par value \$10,345,000, and capital appreciation bonds, par value \$695,000. The interest rates on the current interest bonds range from 5.328% to 5.10%. The capital appreciation bonds matured on December 1, 2006 (effective interest 4.55%) and December 1, 2007 (effective interest 4.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

During fiscal year 2006, the District refunded the callable portion (\$7,645,000) of the current interest bonds. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue was December 1, 2011.

C. General Obligation Bonds - Series 2006 Refunding

On March 1, 2006, the District issued general obligation bonds (Series 2006 Refunding Bonds) to advance refund a portion of the Series 2001 Current Interest General Obligation Bonds. The issuance proceeds of \$7,644,999 were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$7,480,000, and capital appreciation bonds, par value \$164,999. The capital appreciation bonds mature December 1, 2012 and December 1, 2013 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2012 was \$164,999. Total accreted interest of \$766,034 has been included in the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$635,305. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the 2006 series refunding bonds:

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ -	\$ 273,400	\$ 273,400	\$ 94,046	\$ 500,954	\$ 595,000
2014	-	273,400	273,400	70,953	519,047	590,000
2015	520,000	263,000	783,000	-	-	-
2016	540,000	241,800	781,800	-	-	-
2017	560,000	219,800	779,800	-	-	-
2018 - 2022	3,090,000	743,400	3,833,400	-	-	-
2023 - 2025	2,125,000	129,700	2,254,700	-	-	-
Total	<u>\$ 6,835,000</u>	<u>\$ 2,144,500</u>	<u>\$ 8,979,500</u>	<u>\$ 164,999</u>	<u>\$ 1,020,001</u>	<u>\$ 1,185,000</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

D. OASBO Energy Conservation Note

On August 20, 2009, the District issued a \$1,307,000 note through the OASBO Expanded Asset Pooled Financing Program. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District. The District has capitalized \$289,077 in land improvements and building improvements from the note proceeds, of which \$148,077 is included in net assets invested in capital assets, net of related debt at June 30, 2012. The remaining expenditures from the note proceeds were expensed as repair and maintenance costs. The note is scheduled to mature on December 1, 2024 and has an interest rate of 3.85%. The loan will be repaid from the bond retirement fund.

The following is a summary of the future debt service requirements to maturity for the energy conservation note:

Fiscal Year Ending June 30,	Energy Conservation Note		
	Principal	Interest	Total
2013	\$ 70,000	\$ 47,502	\$ 117,502
2014	72,000	44,520	116,520
2015	76,000	41,412	117,412
2016	79,000	38,157	117,157
2017	82,000	34,776	116,776
2018 - 2022	462,000	118,314	580,314
2023 - 2025	<u>325,000</u>	<u>20,853</u>	<u>345,853</u>
Total	<u>\$ 1,166,000</u>	<u>\$ 345,534</u>	<u>\$ 1,511,534</u>

E. Legal Debt Margins

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 margins 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 calculations 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, 2012 are a legal voted debt margin of \$7,781,466 (including available funds of \$658,244), a legal unvoted debt margin of \$156,925, and a legal energy conservation debt margin of \$246,322.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 10 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for real property, building contents, vehicles and employee bonds. Vehicle policies include liability coverage for bodily injury and property damage. Settled claims have not exceeded commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Workers' Compensation

The District pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the program.

C. Employee Medical Benefits

The District is a member of the Portage Area School Consortium (the Consortium), an insurance purchasing pool (See Note 2.A), through which a cooperative Health Benefit Program was created for the benefit of its members. The Consortium acts as a fiscal agent for the cash funds paid into the program by the participating school districts. These funds are pooled together for the purposes of paying health benefit claims of employees and their covered dependents, administrative expenses of the program, and premiums for stop-loss insurance coverage. A reserve exists which is to cover any unpaid claims if the school district were to withdraw from the pool. If the reserve would not cover such claims, the school district would be liable for any costs above the reserve.

NOTE 11 - 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 "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - 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 2012, 12.65 percent and 0.05 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, 2012, 2011 and 2010 were \$158,193, \$161,817 and \$181,896, respectively; 65.15 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 11 - PENSION PLANS - (Continued)

Funding Policy - For fiscal year 2012, 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.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$607,557, \$649,909 and \$661,810, respectively; 84.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$13,034 made by the District and \$9,310 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, 2012, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

NOTE 12 - 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 Section 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 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the 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 "Employers/Audit Resources".

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 12 - POSTEMPLOYMENT BENEFITS - (Continued)

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 2012, 0.55 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 2012, the actuarially determined amount was \$35,800.

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, 2012, 2011 and 2010 were \$33,576, \$47,790 and \$34,250, respectively; 65.15 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$9,342, \$10,413 and \$10,817, respectively; 65.15 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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 2012, 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, 2012, 2011 and 2010 were \$46,735, \$49,993 and \$50,908, respectively; 84.21 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 13 - 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) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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	\$ (46,501)
Net adjustment for revenue accruals	(23,927)
Net adjustment for expenditure accruals	176,926
Net adjustment for other sources/uses	(77,682)
Funds budgeted elsewhere *	(329)
Adjustment for encumbrances	282,153
GAAP basis	\$ 310,640

* 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 underground storage tank fund and the public school support fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 14 - CONTINGENCIES

A. Grants and ADM

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

The District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. This also encompasses the Auditor of State's ongoing review of student attendance data; however, the effect of any such disallowed claims on the overall financial position of the District at June 30, 2012, if applicable, cannot be determined at this time.

B. Litigation

The District is involved in no material litigation as either plaintiff or defendant.

NOTE 15 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, 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. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

NOTE 15 - SET-ASIDES - (Continued)

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

	<u>Capital Improvements</u>
Set-aside balance June 30, 2011	\$ -
Current year set-aside requirement	213,148
Current year qualifying expenditures	(111,042)
Current year offsets	(91,829)
Prior year offset from bond proceeds	<u>(10,277)</u>
Total	<u>\$ -</u>
Balance carried forward to fiscal year 2013	<u>\$ -</u>

NOTE 16 - 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	\$ 266,407
Other governmental	<u>33,113</u>
Total	<u>\$ 299,520</u>

NOTE 17 - SUBSEQUENT EVENTS

A Special Election was held on February 5, 2013 and the District's residents passed a 5.9 mil, 5 year emergency levy which is anticipated to defray the District's General Fund's obligation by approximately \$939,557 based upon County Auditor Certification, collectable beginning 2014

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2012

Federal Grantor/ Pass Through Grantor Program Title	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed Through Ohio Department of Education:</i>						
<i>Nutrition Cluster:</i>						
National School Breakfast Program	2012	10.553	\$ 18,623.0		\$ 18,623.0	
National School Lunch Program	2012	10.555	181,890	\$ 21,095	181,890	\$ 21,095
<i>Total Nutrition Cluster</i>			<u>200,513</u>	<u>21,095</u>	<u>200,513</u>	<u>21,095</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>200,513</u>	<u>21,095</u>	<u>200,513</u>	<u>21,095</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I, Part A Cluster</i>						
Title I Grants to Local Educational Agencies	2011	84.010	33,444		33,444	
Title I Grants to Local Educational Agencies	2012	84.010	152,522		144,054	
<i>Subtotal Title I Grants to Local Educational Agencies</i>			<u>185,966</u>		<u>177,498</u>	
Title I Grants to Local Educational Agencies	ARRA	84.389	7		7	
<i>Total Title I Grants to Local Educational Agencies Cluster</i>			<u>185,973</u>		<u>177,505</u>	
<i>Special Education Cluster (IDEA)</i>						
Special Education Grants to States	2011	84.027	36,716		36,716	
Special Education Grants to States	2012	84.027	212,769		204,742	
Special Education PreSchool Grants	2012	84.173	2,442		2,442	
<i>Subtotal Special Education Grants to States</i>			<u>251,927</u>		<u>243,900</u>	
Special Education Grants to States - Title VI-B ARRA	ARRA	84.391	14,978		14,978	
<i>Total Special Education Grants to States Cluster</i>			<u>266,905</u>		<u>258,878</u>	
Education Technology State Grants Title II, Part D	2011	84.318			371	
Education Technology State Grants Title II, Part D	2012	84.318	1,919		1,919	
<i>Total Education Technology State Grants</i>			<u>1,919</u>		<u>2,290</u>	
<i>Improving Teacher Quality State Grants Title II, Part A</i>						
Improving Teacher Quality State Grants	2011	84.367	0		527	
Improving Teacher Quality State Grants	2012	84.367	50,327		50,327	
<i>Total Improving Teacher Quality State Grants</i>			<u>50,327</u>		<u>50,854</u>	
State Fiscal Stabilization Fund - ARRA	2011	84.394	0		47,815	
<i>Total State Fiscal Stabilization Fund</i>			<u>0</u>		<u>47,815</u>	
<i>Race to the Top - Resident Educator Program</i>	2012	84.395	350		350	
			<u>350</u>		<u>350</u>	
Education Jobs Fund - Education State Grants, Recovery Act	2012	84.410	320,546		320,546	
<i>Total Education Jobs Fund - Education State Grants Recovery Act</i>			<u>320,546</u>		<u>320,546</u>	
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>826,020</u>		<u>858,238</u>	
TOTALS			<u>\$1,026,533</u>	<u>\$21,095</u>	<u>\$1,058,751</u>	<u>\$21,095</u>

The accompanying notes to this schedule are an integral part of this schedule.

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Waterloo Local School District's (the District's) federal award programs' receipts and expenditures. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated commodities.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the District to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The District has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • Auditor of State

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

Waterloo Local School District
Portage County
1464 Industry Road
Atwater, Ohio 44201

To the Board of Education:

We have audited the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of the Waterloo Local School District, Portage County, (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated March 8, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the 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 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.

Compliance and Other Matters

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

Waterloo Local School District
Portage County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by Government Auditing Standards
Page 2

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated March 8, 2013.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 8, 2013



Dave Yost • Auditor of State

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

Waterloo Local School District
Portage County
1464 Industry Road
Atwater, Ohio 44201

To the Board of Education:

Compliance

We have audited the compliance of the Waterloo Local School District, Portage County, Ohio (the District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Waterloo Local School District's major federal program for the year ended June 30, 2012. The *summary of auditor's results* section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 District's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with these requirements.

In our opinion, the Waterloo Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

The 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 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 District's internal control over compliance.

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, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

March 8, 2013

**WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Education Jobs Fund (Ed Jobs) CFDA # 84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

WATERLOO LOCAL SCHOOL DISTRICT

PORTAGE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 4, 2013