



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1497

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Wauseon Exempted Village School District (the District) as of and for the year ended June 30, 2001. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 that our audit provides a reasonable basis for our opinion.

The general-purpose financial statements referred to above do not include the General Fixed Assets Account Group which should be included in order to conform with accounting principles generally accepted in the United States of America. The District has not capitalized property, buildings, and equipment in its enterprise fund or in a general fixed asset account group. Generally Accepted Accounting Principles require that property, plant, and equipment be stated at cost, or estimated cost, and that such enterprise fund assets be reduced by depreciation. We were unable to determine the effects of such departure from generally accepted accounting principles on financial position or results of operations or cash flows.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the School District as of June 30, 2001, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust funds 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 December 20, 2001, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

December 20, 2001

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,120,123	\$158,819	\$997,346	\$154,591
Receivables:				
Taxes	4,473,278		1,026,535	112,412
Accounts	2,427			
Accrued Interest				
Materials and Supplies Inventory	15,514			
Prepaid Items	23,457			
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	48,546			
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided from General Government Resources				
Total Assets and Other Debits	\$8,683,345	\$158,819	\$2,023,881	\$267,003
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$24,809	\$1,855		\$2,459
Accrued Wages and Benefits	951,250	14,509		
Compensated Absences Payable	18,327			
Intergovernmental Payable	169,676	2,544		607
Deferred Revenue	4,078,555		\$845,002	99,872
Due to Students				
General Obligation Bonds Payable				
Total Liabilities	5,242,617	18,908	845,002	102,938
Fund Equity and Other Credits:				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved for Encumbrances	16,722	9,229		52,944
Reserved for Inventory	15,514			
Reserved for Prepaid Items	23,457			
Reserved for Debt Service Principal			997,346	
Reserved for Contributions				
Reserved for Property Taxes	394,723		181,533	12,540
Reserved for Budget Stabilization	48,546			
Unreserved, Undesignated	2,941,766	130,682		98,581
Total Fund Equity and Other Credits	3,440,728	139,911	1,178,879	164,065
Total Liabilities, Fund Equity and Other Credits	\$8,683,345	\$158,819	\$2,023,881	\$267,003

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Types		Fiduciary Fund Types	Account Group	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	
\$102,938	\$637	\$332,989		\$5,867,443
				5,612,225
				2,427
		609		609
7,819				23,333
				23,457
				48,546
			\$997,346	997,346
			12,434,419	12,434,419
\$110,757	\$637	\$333,598	\$13,431,765	\$25,009,805
\$792		\$1,894		\$31,809
37,118				1,002,877
13,471			\$545,729	577,527
24,577			68,544	265,948
4,204				5,027,633
		59,902		59,902
			12,817,492	12,817,492
80,162		61,796	13,431,765	19,783,188
30,595	\$637			\$31,232
				78,895
				15,514
				23,457
				997,346
		232,929		232,929
				588,796
				48,546
		38,873		3,209,902
30,595	637	271,802		5,226,617
\$110,757	\$637	\$333,598	\$13,431,765	\$25,009,805

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Intergovernmental	\$6,569,139	\$396,164
Interest	311,401	8,169
Tuition and Fees	238,267	
Rent	6,724	
Extracurricular Activities		92,178
Gifts and Donations		1,139
Customer Services	130,942	1,130
Property and Other Local Taxes	4,040,743	
Miscellaneous	72,892	
Total Revenues	<u>11,370,108</u>	<u>498,780</u>
Expenditures:		
Instruction:		
Regular	5,240,995	121,073
Special	1,039,292	214,175
Vocational	311,148	
Other	52,197	
Support services:		
Pupils	383,491	74,152
Instructional Staff	387,868	30,232
Board of Education	19,556	
Administration	825,175	1,361
Fiscal	237,667	
Business	52,760	
Operation and Maintenance of Plant	1,103,472	2,034
Pupil Transportation	377,640	
Central	50,629	5,688
Non-Instructional Services		354
Extracurricular activities	335,683	90,859
Capital Outlay		
Debt Service		
Debt Service - Principal		
Debt Service - Interest		
Total Expenditures	<u>10,417,573</u>	<u>539,928</u>
Excess of Revenues Over (Under) Expenditures	<u>952,535</u>	<u>(41,148)</u>
Other Financing Sources and Uses		
Operating Transfers In	10,524	
Proceeds from Sale of Fixed Assets	168	
Refund of Prior Year Expenditures	159,543	418
Other Financing Sources		12,475
Operating Transfers Out	(87,366)	(10,488)
Other Financing Uses		(300)
Refund of Prior Year Receipts	(155,077)	
Total Other Financing Sources (Uses)	<u>(72,208)</u>	<u>2,105</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	880,327	(39,043)
Fund Balance at Beginning of Year	<u>2,560,401</u>	<u>178,954</u>
Fund Balance at End of Year	<u>\$3,440,728</u>	<u>\$139,911</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Governmental Fund Types		Fiduciary Fund Types	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$116,160	\$114,164 3,147	\$1,224	\$7,195,627
			323,941
			238,267
			6,724
			92,178
		7,303	8,442
			132,072
1,164,108	100,666		5,305,517
			72,892
<u>1,280,268</u>	<u>217,977</u>	<u>8,527</u>	<u>13,375,660</u>
	179,161		5,541,229
			1,253,467
			311,148
			52,197
			457,643
			418,100
			19,556
			826,536
23,619	2,157		263,443
			52,760
	104,938		1,210,444
			377,640
			56,317
			354
		2,160	428,702
	41,594		41,594
550,000			550,000
654,145			654,145
<u>1,227,764</u>	<u>327,850</u>	<u>2,160</u>	<u>12,515,275</u>
<u>52,504</u>	<u>(109,873)</u>	<u>6,367</u>	<u>860,385</u>
87,366			97,890
			168
			159,961
			12,475
		(36)	(97,890)
			(300)
			(155,077)
<u>87,366</u>		<u>(36)</u>	<u>17,227</u>
139,870	(109,873)	6,331	877,612
1,039,009	273,938	13,804	4,066,106
<u>\$1,178,879</u>	<u>\$164,065</u>	<u>\$20,135</u>	<u>\$4,943,718</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$6,569,190	\$6,569,139	(\$51)
Interest	295,831	311,401	15,570
Tuition and Fees	236,973	238,268	1,295
Rent	5,000	4,959	(41)
Extracurricular Activities			
Gifts and Donations			
Customer Services	130,942	130,942	
Property and Other Local Taxes	4,191,950	4,191,950	
Miscellaneous	71,626	73,071	1,445
Total Revenues	<u>11,501,512</u>	<u>11,519,730</u>	<u>18,218</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,366,147	5,205,541	160,606
Special	1,046,642	1,023,830	22,812
Vocational	344,926	310,629	34,297
Other	59,073	52,389	6,684
Support services:			
Pupils	401,569	378,846	22,723
Instructional Staff	396,037	385,464	10,573
Board of Education	27,710	24,661	3,049
Administration	852,062	812,046	40,016
Fiscal	272,107	238,860	33,247
Business	56,975	52,782	4,193
Operation and Maintenance of Plant	1,232,097	1,125,090	107,007
Pupil Transportation	386,764	380,303	6,461
Central	74,000	54,348	19,652
Non-Instructional Services	1,000		1,000
Extracurricular activities	367,195	331,939	35,256
Capital Outlay			
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	<u>10,884,304</u>	<u>10,376,728</u>	<u>507,576</u>
Excess of Revenues Over (Under) Expenditures	<u>617,208</u>	<u>1,143,002</u>	<u>525,794</u>
Other Financing Sources and Uses			
Operating Transfers In	10,524	10,524	
Proceeds from Sale of Fixed Assets	168	168	
Refund of Prior Year Expenditures	159,544	159,544	
Other Financing Sources			
Operating Transfers Out	(91,604)	(87,366)	4,238
Refund of Prior Year Receipts	(155,077)	(155,077)	
Other Financing Uses			
Advances Out	(2,400)		2,400
Total Other Financing Sources (Uses)	<u>(78,845)</u>	<u>(72,207)</u>	<u>6,638</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	538,363	1,070,795	532,432
Fund Balances at Beginning of Year	2,987,074	2,987,074	
Prior Year Encumbrances Appropriated	88,266	88,266	
Fund Balance at end of Year	<u><u>\$3,613,703</u></u>	<u><u>\$4,146,135</u></u>	<u><u>\$532,432</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$396,164	\$396,164		\$116,160	\$116,160	
8,056	8,169	\$113			
93,699	92,178	(1,521)			
1,139	1,139				
3,000	1,130	(1,870)	1,119,532	1,119,351	(\$181)
<u>502,058</u>	<u>498,780</u>	<u>(3,278)</u>	<u>1,235,692</u>	<u>1,235,511</u>	<u>(181)</u>
130,096	121,745	8,351			
220,983	213,256	7,727			
78,069	65,237	12,832			
44,225	37,742	6,483			
3,000	1,000	2,000	25,305	23,619	1,686
2,034	2,034				
12,000	12,000				
355	355				
107,433	91,296	16,137			
			550,000	550,000	
			654,145	654,145	
<u>598,195</u>	<u>544,665</u>	<u>53,530</u>	<u>1,229,450</u>	<u>1,227,764</u>	<u>1,686</u>
<u>(96,137)</u>	<u>(45,885)</u>	<u>50,252</u>	<u>6,242</u>	<u>7,747</u>	<u>1,505</u>
			87,700	87,366	(334)
418	418				
12,475	12,475				
(10,488)	(10,488)				
(300)	(300)				
<u>2,105</u>	<u>2,105</u>		<u>87,700</u>	<u>87,366</u>	<u>(334)</u>
(94,032)	(43,780)	50,252	93,942	95,113	1,171
171,675	171,675		902,233	902,233	
19,979	19,979				
<u>\$97,622</u>	<u>\$147,874</u>	<u>\$50,252</u>	<u>\$996,175</u>	<u>\$997,346</u>	<u>\$1,171</u>

(Continued)

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001
(Continued)**

	Capital Projects		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$114,164	\$114,164	
Interest	5,000	3,147	(\$1,853)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	102,690	100,934	(1,756)
Miscellaneous			
Total Revenues	221,854	218,245	(3,609)
Expenditures:			
Current:			
Instruction:			
Regular	194,216	186,872	7,344
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	2,565	2,157	408
Business			
Operation and Maintenance of Plant	143,650	119,281	24,369
Pupil Transportation			
Central	36,000	24,383	11,617
Non-Instructional Services			
Extracurricular activities			
Capital Outlay	53,807	47,494	6,313
Debt Service			
Debt Service - Principal			
Debt Service - Interest			
Total Expenditures	430,238	380,187	50,051
Excess of Revenues Over (Under) Expenditures	(208,384)	(161,942)	46,442
Other Financing Sources and Uses			
Operating Transfers In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Refund of Prior Year Receipts			
Other Financing Uses			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(208,384)	(161,942)	46,442
Fund Balances at Beginning of Year	191,695	191,695	
Prior Year Encumbrances Appropriated	69,435	69,435	
Fund Balance at end of Year	\$52,746	\$99,188	\$46,442

The notes to the general-purpose financial statements are an integral part of this statement.

Expendable Trust			Totals (Memorandum Only)		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$785	\$1,225	\$440	\$7,195,678	\$7,195,627	(\$51)
			309,672	323,942	14,270
			236,973	238,268	1,295
			5,000	4,959	(41)
			93,699	92,178	(1,521)
7,202	7,302	100	8,341	8,441	100
			133,942	132,072	(1,870)
			5,414,172	5,412,235	(1,937)
			71,626	73,071	1,445
<u>7,987</u>	<u>8,527</u>	<u>540</u>	<u>13,469,103</u>	<u>13,480,793</u>	<u>11,690</u>
			5,690,459	5,514,158	176,301
			1,267,625	1,237,086	30,539
			344,926	310,629	34,297
			59,073	52,389	6,684
			479,638	444,083	35,555
			440,262	423,206	17,056
			27,710	24,661	3,049
			855,062	813,046	42,016
			299,977	264,636	35,341
			56,975	52,782	4,193
			1,377,781	1,246,405	131,376
			386,764	380,303	6,461
			122,000	90,731	31,269
			1,355	355	1,000
2,685	2,160	525	477,313	425,395	51,918
			53,807	47,494	6,313
			550,000	550,000	
			654,145	654,145	
<u>2,685</u>	<u>2,160</u>	<u>525</u>	<u>13,144,872</u>	<u>12,531,504</u>	<u>613,368</u>
<u>5,302</u>	<u>6,367</u>	<u>1,065</u>	<u>324,231</u>	<u>949,289</u>	<u>625,058</u>
			98,224	97,890	(334)
			168	168	
			159,962	159,962	
			12,475	12,475	
(36)	(36)		(102,128)	(97,890)	4,238
			(155,077)	(155,077)	
			(300)	(300)	
			(2,400)		2,400
<u>(36)</u>	<u>(36)</u>		<u>10,924</u>	<u>17,228</u>	<u>6,304</u>
5,266	6,331	1,065	335,155	966,517	631,362
13,804	13,804		4,266,481	4,266,481	
			177,680	177,680	
<u>\$19,070</u>	<u>\$20,135</u>	<u>\$1,065</u>	<u>\$4,779,316</u>	<u>\$5,410,678</u>	<u>\$631,362</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/
FUND BALANCE - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:				
Sales	\$522,198			\$522,198
Interest			\$16,968	16,968
Total Operating Revenues	<u>522,198</u>		<u>16,968</u>	<u>539,166</u>
Operating Expenses				
Salaries	234,578			234,578
Fringe Benefits	100,941			100,941
Purchased Services	11,308			11,308
Materials and Supplies	366,680			366,680
Other	1,052		11,446	12,498
Total Operating Expenses	<u>714,559</u>		<u>11,446</u>	<u>726,005</u>
Operating Income (Loss)	<u>(192,361)</u>		<u>5,522</u>	<u>(186,839)</u>
Non-Operating Revenues and Expenses				
Federal Donated Commodities	47,063			47,063
Interest	4,033			4,033
Federal and State Subsidies	128,612			128,612
Total Non-Operating Revenues and Expenses	<u>179,708</u>			<u>179,708</u>
Net Income (Loss)	<u>(12,653)</u>		<u>5,522</u>	<u>(7,131)</u>
Retained Earnings/Fund Balances at Beginning of Year	<u>43,248</u>	<u>\$637</u>	<u>246,145</u>	<u>290,030</u>
Retained Earnings/Fund Balances at End of Year	<u>\$30,595</u>	<u>\$637</u>	<u>\$251,667</u>	<u>\$282,899</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**COMBINED STATEMENT OF CASH FLOW
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Increase/(Decrease) in Cash and Cash Equivalents				
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Sales	\$522,198			\$522,198
Cash Payments to Suppliers for Goods and Service	(313,884)			(313,884)
Cash Payments for Contract Services	(11,308)			(11,308)
Cash Payments for Employee Services	(200,948)			(200,948)
Cash Payments for Employee Benefits	(89,879)			(89,879)
Other Cash Payments	(6,027)		(\$11,446)	(17,473)
Net Cash Provided (Used) by Operating Activities	(99,848)		(11,446)	(111,294)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	143,715			143,715
<u>Cash Flows from Investing Activities:</u>				
Interest Received	4,033		16,359	20,392
Net Increase (Decrease) in Cash and Cash Equivalents	47,900		4,913	52,813
Cash and Cash Equivalents at Beginning of Year	55,038	\$637	246,145	301,820
Cash and Cash Equivalents at End of Year	\$102,938	\$637	\$251,058	\$354,633
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	(\$192,361)		\$5,522	(\$186,839)
Adjustments to Reconcile Operating Income (Loss) To Net Cash Provided (Used) by Operating Activities:				
Donated Commodities Used During the Year	47,063			47,063
Nonexpendable Trust Interest			(16,359)	(16,359)
(Increase) Decrease in Assets:				
Accrued Interest			(609)	(609)
Material and Supplies Inventory	(756)			(756)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	10,571			10,571
Intergovernmental Payable	10,439			10,439
Deferred Revenue	1,603			1,603
Accrued Wages and Benefits	23,682			23,682
Accounts Payable	(89)			(89)
Net Cash Used by Operating Activities	(\$99,848)		(\$11,446)	(\$111,294)
Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2001:				
Cash and Cash Equivalents - Trust and Agency Funds				\$332,989
Less: Expendable Trust Funds				(20,135)
Less: Agency Funds				(61,796)
Cash and Cash Equivalents - Nonexpendable Trust Funds				\$251,058

The notes to the general-purpose financial statements are an integral part of this statement.

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**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wauseon Exempted Village School District, Fulton County, (the School 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 School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 63 noncertified and 129 certificated full time teaching personnel who provide services to 2,000 students and other community members.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Wauseon Exempted Village School District, this includes general operations, food service, preschool and student related activities of the School District.

The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

The Wauseon Public Library is not part of the District and is excluded from the accompanying financial statements. This organization is presented in Note 15.

The School District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, Northwestern Ohio Educational Research Council, Inc, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the general-propose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

A. Measurement Focus and Basis of Accounting

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

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed by the proprietary fund types and non expendable trust fund.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

B. Fund Accounting

The District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reporting in other funds. The restrictions associated with each class of funds are as follows:

1. Governmental Fund Types

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

General Fund - The fund used to account for all financial resources except those required to be segregated and accounted for in other funds. The General Fund is the general operating fund of the District.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Funds - The funds used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to the governmental accounting principles, the Debt Service Fund accounts for the payment of long-term debt for Governmental Funds only. Under Ohio law, the Debt Service Fund might also be used to account for the payment of debt for Proprietary Funds and the short-term debt of both Governmental and Proprietary Funds.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities, which are similar to those, found in the private sector. The following are the School District's proprietary fund types:

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

Internal Service Funds - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis.

3. Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, non expendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Non expendable trust funds are accounted for in essentially the same manner as proprietary funds. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Group

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

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

C. Budgetary Data

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

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board-adopted budget is filed with the County Budget Commission for rate determination.

2. Estimated Resources

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant.

The budget figures, which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all supplemental appropriations. Formal

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances plus expenditures may not legally exceed appropriations at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool account or temporarily used to purchase short-term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the combined balance sheet. The School District utilizes a financial institution to service bonded debt as principal and interest payments come due.

During the fiscal year 2001, investments were limited to Certificates of Deposit valued at cost.

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 2001 amounted to \$311,401; interest in the amount of \$33,541 was credited to other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expended when used.

F. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and became measurable.

The School District currently participates in several State and federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
School Bus Purchase

Special Revenue Funds

Disadvantaged Pupil Impact Aid

Non-Reimbursable Grants

Special Revenue Funds

Local Professional Development
Educational Management Information System
One Net Ohio Program
Instructional Materials
Ohio Reads
Summer School Subsidy
Eisenhower Grant
Title VIB - Flow Through
Title I
Title VI
Drug Free Grant
Preschool Grant
E-Rate
Title VI-R
Martha Holden Jennings Foundation

Capital Projects Funds

School Net Plus
School Net Technology Grant
Emergency Building Repair Fund

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Reimbursable Grants

General Fund

Driver Education

Proprietary Funds

National School Lunch Program

Government Donated Commodities

G. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as due from other funds or due to other funds on the balance sheet. Short-term inter fund loans are classified as inter fund receivables and inter fund payables. Long-term inter fund loans are classified as advances to/from other funds and are equally offset by a fund balance reserve account, which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

H. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School district accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2001.

For governmental funds, the District provides a liability for unpaid accumulated sick leave and vacation time for eligible employees in the period the employees become eligible to receive payment. The current portion of unpaid compensated absences is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

I. Accrued Liabilities and Long-Term Obligations

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

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FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

J. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other inter fund transfers are reported as operating transfers.

K. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues restricted for the amounts required by statute to be set-aside by the School District for budget stabilization. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, prepaid items, property taxes, budget stabilization and debt service principal and contributions.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute. The reserve for contributions signifies the legal restrictions on the use of principal.

M. Total Columns on General-propose Financial Statements

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

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type:

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses All Governmental and Similar Fiduciary Fund Types					
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$1,070,795	(\$43,780)	\$95,113	(\$161,942)	\$6,331
Revenue Accruals	(149,622)		44,757	(268)	
Expenditure Accruals	(63,380)	(6,208)		(3,066)	
Encumbrances	22,534	10,945		55,403	
GAAP Basis	\$880,327	(\$39,043)	\$139,870	(\$109,873)	\$6,331

4. DEPOSITS AND INVESTMENTS

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim 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 pass book accounts.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time.
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. 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.

At fiscal year end, the School District had \$3,000 in undeposited cash on hand, which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Deposits

At year end, the carrying amount of the School District's deposits was \$5,912,989 and the bank balance was \$6,143,672. Of the bank balance:

1. \$300,000 was covered by federal depository insurance; and
2. \$3,680,177 was secured in the School District name with specific pledge securities.
3. \$2,163,495 was uninsured and uncollateralized. Noncompliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

The classification of cash, cash equivalents and investments on the combined financial statements is based on criteria set forth by GASB Statement No. 9. A reconciliation between classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Investments
GASB Statement No. 9	\$5,915,989
Cash on Hand	(3,000)
GASB Statement No. 3	\$5,912,989

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at eighty-eight percent of true value (with certain exceptions) and on real property at thirty-five percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are twenty-five percent of true value. The assessed values upon which the fiscal year 2001 taxes are based as follows:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$127,349,800	81.52%	\$129,577,760	74%
Public Utility	12,707,970	8.14%	12,738,160	19%
Tangible Personal Property	16,159,240	10.34%	32,047,240	7%
Total Assessed Value	\$156,217,010	100.00%	\$174,363,160	100%
Tax rate per \$1,000 of Assessed Valuation	\$47.05		\$45.20	

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2001 was \$588,796 and is recognized as revenue. \$394,723 was available to the general fund, \$12,540 was available to the capital projects fund and \$181,533 was available to the debt service fund. At June 30, 2000, \$695,514 was available to the School District.

6. RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts and intergovernmental grants. 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.

7. INSURANCE

Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents, and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90 percent coinsured.

8. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$106,562, \$116,150, and \$103,776, respectively; 50 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$93,192 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$565,734, \$326,732 and \$310,752, respectively; 83 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$144,872 represents the unpaid contribution for fiscal year 2001, and is recorded as a liability within the respective funds.

9. POST-EMPLOYMENT BENEFITS

The State Teachers Retirement System (STRS) provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently at 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Reserve Fund from which health care benefits are paid. For the fiscal year ended June 30, 2000, the board allocated employer contributions equal to 8 percent of covered payroll to Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion on June 30, 2000. The Health Care Reserve Fund allocation for the year ended June 30, 2001 will be 4.5 percent of covered payroll.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2000, the allocation rate is 8.45 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2000, the minimum pay has been established as \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2000 were \$140,696,340 and the target level was \$211.0 million. At June 30, 2000, the Retirement System's net assets available for payment of health care benefits were \$252.3 million. The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .6036, then adding the surcharge due as of June 30, 2000, as certified to your district by SERS.

10. OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve (12) and eleven (11) month employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. At June 30, 2001, a current liability of \$18,327 has been provided in the general fund and for earned, but unused vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum payout of 49 days. At June 30, 2001, a current liability of \$13,471 has been provided in the enterprise fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$545,729 for severance pay and sick leave payable at June 30, 2001, in accordance with GASB No. 16, "Accounting for Compensated Absences". The amount has been recorded in the General Long-Term Obligations Account Group since the liability will not require the use of current expendable available financial resources.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

11. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt outstanding at June 30, 2001 consisted of the following:

	<u>School Improvement</u>	<u>Capital Appreciation</u>	<u>Energy Conservation</u>
General Obligation Bonds			
Principal Outstanding	\$12,244,837	\$402,655	\$170,000
Interest Rate	4.05%	4.6 - 4.7%	5.55%

Outstanding general obligation bonds consist of school improvement bonds, capital appreciation bonds, and energy conservation bonds.

These bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the government. These bonds were issued in February 1997, February 1997, and July 1992, respectively. These bonds will mature in December 2022, December 2003, and December 2002, respectively.

Interest paid semi-annually in June and December, while principal is paid annually in December.

Total expenditures incurred by the District for interest on the above bonds was \$654,145 for the period ended June 30, 2001.

During the year ended June 30, 2001, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Balance at June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2001</u>
General obligation bonds	\$13,240,606	\$126,886	\$550,000	\$12,817,492
Compensated absences payable	579,650		33,921	545,729
Due to other governments	73,033		4,489	68,544
Total	<u>\$13,893,289</u>	<u>\$126,886</u>	<u>\$588,410</u>	<u>\$13,431,765</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2001 are as follows:

<u>For the Years Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2002	\$570,000	\$628,878	\$1,198,878
2003	455,016	470,397	925,413
2004	317,476	473,251	790,727
2005	510,000	598,512	1,108,512
2006	465,000	575,611	1,040,611
2007 and thereafter	<u>10,500,000</u>	<u>5,340,639</u>	<u>15,840,639</u>
Total	<u>\$12,817,492</u>	<u>\$8,087,288</u>	<u>\$20,904,780</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

Advance Refunding

In prior years, the School District defeased certain School and Library Improvement Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. On June 30, 2001, \$1,340,000 of bonds outstanding are considered defeased.

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two Enterprise Funds, which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 2001 was as follows:

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$453,793	\$68,405	\$522,198
Operating Income (Loss)	(192,054)	(307)	(192,361)
Donated Commodities	47,063		47,063
Grants	128,612		128,612
Interest	4,033		4,033
Net Income (Loss)	(12,346)	(307)	(12,653)
Total Assets	100,403	10,354	110,757
Total Liabilities	80,162		80,162
Total Equity (deficit)	20,241	10,354	30,595
Net working capital	20,241	10,354	30,595

13. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the four counties in which the member school districts are located and the representative from the member school district serving as fiscal agent for NWOCA. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Michele Zeedyk, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

14. GROUP PURCHASING POOLS

A. Northern Buckeye Education Council's Employee Insurance Benefits Program

The Northern Buckeye Education Council's Employee Insurance Benefits Program included health, dental, drug, and life insurance plans. The health, drug, and dental plans are risk-sharing pools among approximately 30 members, and the life insurance plan is a group purchasing pool among 29 members. The purpose of the plans is for its members to pool funds or resources to purchase commercial insurance products and enhance the wellness opportunities for employees.

Each member pays a monthly premium amount, which is established annually by the Council, to the treasurer to comply with the terms of any contracts with any third-party claims administrator or insurance company. The insurance group is governed by a council consisting of two representatives from each of the four counties in which the member school districts are located. The degree of control exercised by any participating member is limited to its representation on the council.

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

In fiscal year 2001, the Wauseon Exempted Village School District contributed a total for all four plans \$788,541, which represented 4.6 percent of total contributions. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

B. Northern Buckeye Education Council's Worker's Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under 4123.29 of the Ohio Revised Code. The Northern Buckeye Education Council's Worker's Compensation Group Rating Plan (WCGRP) was established through the Northern Buckeye Educational Council (NBEC) as a group purchasing pool.

The WCGRP's business and affairs are conducted by a three member board of directors consisting of two Assembly representatives for each of the counties of Defiance, Fulton, Henry, and Williams and the representative of the member serving as fiscal agent for NBEC. The Executive Director of the Council shall coordinate the management and administration of the program. Each year, the participating/members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

15. RELATED ORGANIZATION

Wauseon Public Library

The Wauseon Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Wauseon Exempted Village School District. The District's role is limited to a ministerial function. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. The District receives property taxes levied specifically to repay the Library's debt issuance and disburses the annual debt service requirements on behalf of the Library. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Wauseon Public Library, Maricela DeLeon, who serves as Treasurer, at 117 East Elm Street, Wauseon, Ohio 43567.

16. AGENCY FUNDS

Combined Statement of Changes in Assets and Liabilities				
	Balance at July 1, 2000	Additions	Deductions	Balance at June 30, 2001
Cash	\$61,081	\$715		\$61,796
Other liabilities	\$61,081	\$715		\$61,796

17. TRANSFERS

Transfers for the year ended June 30, 2001 consist of the following:

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$10,524	\$87,366
Special Revenue Fund		10,488
Debt Service Fund	87,366	
Expendable Trust Fund		36
Total Transfers	<u>\$97,890</u>	<u>\$97,890</u>

18. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by state statute.

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 2000	\$28,526		\$158,894	
Current Year Set-aside Requirement	248,587	\$248,587	4,652	
Current Year Offsets		(110,098)		
Legislative Reduction			(115,000)	
Qualifying Disbursements	(281,586)	(138,489)		
Total	<u>(\$4,473)</u>	<u></u>	<u>\$48,546</u>	
Cash Balance Carried Forward to FY 2002			<u>\$48,546</u>	
Amount designated for Budget Stabilization				<u>\$48,546</u>

Amounts of offsets and qualifying disbursements presented in the table were limited to those necessary to reduce the year-end balance to zero in the capital acquisition. Although the School District may have had additional offsets and qualifying disbursements during the year, these extra amounts may not be used to reduce the set-aside requirements of future years, and therefore, not presented.

19. STATE SCHOOL FUNDING DECISION

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

**WAUSEON EXEMPTED VILLAGE SCHOOL AREA
FULTON COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001
(Continued)**

A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

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

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 20, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

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

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

20. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the School District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2001**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed through the State Department of Education</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	10.550	
National School Lunch Program	10.555	
Total Department Of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed through the State Department of Education</i>		
Title I - Grants to Local Educational Agencies	84.010	C1-S1-01 C1-S1-00
<u>Special Education Cluster</u>		
Title VI-B	84.027	6B-SF-01P 6B-SF-00P
Title VI-B		
Preschool Grant	84.173	PG-S1-01P
Total Special Education Cluster		
Title VI - Education program Strategies	84.298	C2-S1-01 C2-S1-00 C2-S1-99
Total Title VI		
Title II - Eisenhower Professional Development State Grants	84.281	MS-S1-01 MS-S1-01
Total Title II		
Title VI - R - Class size reduction subsidy	84.340	045641 CR-S1 2001
Drug Free Schools Grant	84.186	DR-S1-01 DR-S1-00
Total Drug Free Schools Grant		
Total Department Of Education		
TOTAL FEDERAL AWARDS EXPENDITURES		

The accompanying notes are an integral part of this schedule.

Program or Award Amount	Cash Receipts	Non-cash Receipts	Cash Disbursements	Non-cash Disbursements
	\$138,153	\$48,666	\$138,153	\$47,063
	<u>138,153</u>	<u>48,666</u>	<u>138,153</u>	<u>47,063</u>
115,143	115,143		107,416	
115,143	<u>115,143</u>		<u>17,391</u>	
			124,807	
101,179	101,179		91,025	
94,426			31,888	
8,052	<u>8,052</u>		<u>8,052</u>	
	109,231		130,965	
9,852	1,773		103	
3,043	7,100		10,143	
7,427	<u>8,873</u>		<u>8,525</u>	
			18,771	
6,909	6,044		4,539	
6,909	<u>6,044</u>		<u>2,514</u>	
			7,053	
28,265	28,274		23,268	
8,264	8,255		7,459	
8,490	<u>142</u>		<u>2,252</u>	
	8,397		9,711	
	<u>275,962</u>		<u>314,575</u>	
	\$414,115	\$48,666	\$452,728	\$47,063

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2001**

NOTE A – SIGNIFICANT ACCOUNTING POLICES

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

NOTE B – FOOD DISTRIBUTION

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1497

To the Board of Education:

We have audited the financial statements of Wauseon Exempted Village School District (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 20, 2001. Our report was qualified due to the District's failure to capitalize property, buildings, and equipment. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10126-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management in a separate letter dated December 20, 2001.

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

Jim Petro
Auditor of State

December 20, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1497

To the Board of Education:

Compliance

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

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

In our opinion, the District complied, in all material aspects, with the requirements applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings as item 2001-10126-002. We also, noted a immaterial instance of noncompliance that we have reported to management of the District in a separate letter dated December 20, 2001.

Internal Control Over Compliance

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

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

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

Jim Petro
Auditor of State

December 20, 2001

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Qualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	<u>Nutrition Cluster:</u> Food Distribution, CFDA # 10.550 National School Lunch Program CFDA # 10.555 <u>Special Education Cluster:</u> Title VI-B CFDA # 84.027 Preschool Grant CFDA #84.173
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2001-10126-001

Material Weakness - Property, Buildings, and Equipment

The District has not capitalized property, buildings, and equipment in its enterprise fund or in the general fixed assets account group. Generally accepted accounting principles (GAAP) require that property, buildings, and equipment be stated at cost, or estimated cost, and that such enterprise fund be reduced by depreciation.

The District has a fixed asset recording system, although it has not been updated to provide the documentation necessary to capitalize property, building and equipment amounts in the enterprise fund or in the general fixed assets account group. Related depreciation charges for enterprise fund assets were also omitted from the District's general-purpose financial statements.

We recommend that all property, buildings, and equipment owned by the District be included on the fixed assets records and reported on the Districts balance sheet.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER	2001 -10126 -002
CFDA TITLE AND NUMBER	National School Lunch Program - 10.555
FEDERAL AGENCY	Department of Education
PASS-THROUGH AGENCY	Ohio State Department of Education

7 CFR 3015.169 states equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

The District is not tracking equipment purchased from federal funds nor has a physical inventory of equipment been taken in the last three years. An appropriate control system has not been implemented to safeguard equipment. In FY 2001 the District spent \$4,975 for equipment from the Food Service fund. Federal receipts for the Food Service fund in FY 2001 were \$138,153.

These weaknesses do not provide a sufficient safeguard over equipment purchased from federal monies and could potentially lead to the Federal awarding agency not being appropriately compensated for its share of property sold or converted to non-Federal use.

The Treasurer stated the District intends to implement a control system over fixed asset as well as a fixed asset tracking system in fiscal year 2002. In fiscal year 2002 the District intends to identify existing assets and update such items to their system.

We recommend the District implement an appropriate control system to safeguard federal assets. Existing equipment should be identified, tagged and updated to the District asset account system. An inventory of equipment should be performed at least once every two years and reconciled to District equipment records.

The Treasurer stated the District intends to implement a control system over fixed assets as well as a fixed asset tracking system and to identify existing fixed assets and update such items to their system in conjunction with procedures performed to implement GASB 34 for July 1, 2002 deadline.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-10126-001	Fixed Assets not being Capitalized.	No	Not corrected. The Treasurer stated she intends to implement a control system over fixed assets as well as a fixed asset tracking system and to identify existing fixed assets and update such items to their system in the beginning of FY2002. Finding was reissued as finding # 2001-10126-001
2000-10126-002	Physical Inventory of Equipment purchased from Federal funds not being maintained	No	Not corrected. Finding was reissued as finding # 2001-10126-002

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
JUNE 30, 2001**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-10126-002	The Treasurer stated the District intends to implement a control system over fixed assets as well as a fixed asset tracking system and to identify existing fixed assets and update such items to their system in conjunction with procedures performed to implement GASB 34 for July 1, 2002 deadline.	July 1, 2002	Karen Dameron



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WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JANUARY 10, 2002**