



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

Table of Contents

TITLE	PAGE
Report of Independent Accountants	1
Combined Balance Sheet - All Fund Types and Account Groups	4
Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental and Similar Fiduciary Fund Types	8
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.....	10
Combined Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Balance - All Proprietary and Similar Fiduciary Fund Types	14
Combined Statement of Cash Flows - All Proprietary and Similar Fiduciary Fund Types.....	15
Notes to the General-Purpose Financial Statements	17
Schedule of Federal Awards Expenditures.....	40
Notes to the Schedule of Federal Awards Expenditures	42
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	43
Report of Independent Accountants on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	45
Schedule of Findings.....	47
Schedule of Prior audit Findings	48

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wauseon Exempted Village School District, Fulton County, as of June 30, 2002, and the results of its operations and the 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.

As discussed in Note 21, the District has, for the first time, presented a General Fixed Assets Account Group and reported fixed assets in its enterprise fund type.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 13, 2002

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,375,859	\$160,062	\$1,069,179	\$164,817
Receivables:				
Taxes	4,503,378		1,138,161	112,314
Accounts	2,518	250		
Intergovernmental		7,056		
Interfund Receivable	2,000			
Materials and Supplies Inventory	12,520			
Prepaid Items	50,359			
Fixed Assets				
Accumulated Depreciation				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of Long-Term Obligations				
Amount to be Provided From General Government Resources				
Total Assets and Other Debits	\$8,946,634	\$167,368	\$2,207,340	\$277,131

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
\$109,904	\$637	\$344,414			\$6,224,872
					5,753,853
					2,768
					7,056
					2,000
12,665					25,185
137,757			\$14,999,248		50,359
(76,168)					15,137,005
					(76,168)
				\$1,069,179	1,069,179
				11,978,959	11,978,959
\$184,158	\$637	\$344,414	\$14,999,248	\$13,048,138	\$40,175,068

(Continued)

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$172,990	\$660		\$58,476
Accrued Wages and Benefits	1,048,553	15,524		
Compensated Absences Payable	34,897			
Interfund Payable				
Intergovernmental Payable	176,673	1,534		
Deferred Revenue	3,876,844	878	\$985,658	96,521
Due to Students				
Energy Conservation Loan Payable				
General Obligation Bonds Payable				
Total Liabilities	5,309,957	18,596	985,658	154,997
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Fund Balances:				
Reserved:				
Reserved for Encumbrances	8,693	27,332		26,911
Reserved for Inventory	12,520			
Reserved for Prepaid Items	50,359			
Reserved for Debt Service Principal			1,069,179	
Reserved for Advances	2,000			
Reserved for Contributions				
Reserved for Property Taxes	626,534		152,503	15,793
Unreserved:				
Unreserved, Undesignated	2,936,571	121,440		79,430
Total Fund Equity and Other Credits	3,636,677	148,772	1,221,682	122,134
Total Liabilities, Fund Equity and Other Credits	\$8,946,634	\$167,368	\$2,207,340	\$277,131

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

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
		\$671			\$232,797
\$44,441					1,108,518
14,608				\$572,804	622,309
		2,000			2,000
23,729				71,869	273,805
8,255					4,968,156
		73,118			73,118
				90,000	90,000
				12,313,465	12,313,465
91,033		75,789		13,048,138	19,684,168
			\$14,999,248		14,999,248
93,125	\$637				93,762
					62,936
					12,520
					50,359
					1,069,179
					2,000
		232,929			232,929
					794,830
		35,696			3,173,137
93,125	637	268,625	14,999,248		20,490,900
\$184,158	\$637	\$344,414	\$14,999,248	\$13,048,138	\$40,175,068

**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, 2002**

	Governmental Fund Types	
	General	Special Revenue
Revenues:		
Intergovernmental	\$7,099,434	\$390,590
Interest	172,707	2,184
Tuition and Fees	325,837	
Rent	6,279	
Extracurricular Activities		91,743
Gifts and Donations		937
Customer Services	64,018	9,000
Property and Other Local Taxes	4,293,211	
Miscellaneous	42,632	
Total Revenues	12,004,118	494,454
Expenditures:		
Instruction:		
Regular	5,667,022	73,914
Special	1,266,602	180,484
Vocational	316,670	
Other	42,208	
Support services:		
Pupils	395,348	87,751
Instructional Staff	475,102	30,135
Board of Education	25,115	
Administration	862,536	5,168
Fiscal	260,666	
Business	56,027	
Operation and Maintenance of Plant	1,215,313	1,946
Pupil Transportation	455,151	
Central	356,982	19,285
Extracurricular activities	326,876	89,636
Capital Outlay		
Debt Service:		
Principal		
Interest		
Total Expenditures	11,721,618	488,319
Excess of Revenues Over (Under) Expenditures	282,500	6,135
Other Financing Sources and Uses		
Operating Transfers In		
Other Financing Uses		(300)
Refund of Prior Year Expenditures	1,469	3,195
Operating Transfers Out	(87,850)	
Refund of Prior Year Receipts	(170)	(169)
Total Other Financing Sources (Uses)	(86,551)	2,726
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	195,949	8,861
Fund Balance at Beginning of Year	3,440,728	139,911
Fund Balance at End of Year	\$3,636,677	\$148,772

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	
\$112,106	\$71,253		\$7,673,383
	79	\$1,065	176,035
			325,837
			6,279
			91,743
		8,350	9,287
			73,018
1,065,949	108,356		5,467,516
			42,632
<u>1,178,055</u>	<u>179,688</u>	<u>9,415</u>	<u>13,865,730</u>
	75,422		5,816,358
			1,447,086
			316,670
			42,208
			483,099
			505,237
			25,115
24,225	2,400		867,704
			287,291
			56,027
	97,313		1,314,572
			455,151
	34,000		410,267
		6,560	423,072
	12,484		12,484
570,000			570,000
628,877			628,877
<u>1,223,102</u>	<u>221,619</u>	<u>6,560</u>	<u>13,661,218</u>
<u>(45,047)</u>	<u>(41,931)</u>	<u>2,855</u>	<u>204,512</u>
87,850			87,850
			4,664
			(87,850)
			(339)
<u>87,850</u>			<u>4,325</u>
42,803	(41,931)	2,855	208,537
1,178,879	164,065	20,135	4,943,718
<u>\$1,221,682</u>	<u>\$122,134</u>	<u>\$22,990</u>	<u>\$5,152,255</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, 2002**

	General		Variance: Favorable (Unfavorable)
	Budget	Actual	
Revenues:			
Intergovernmental	\$7,051,431	\$7,099,434	\$48,003
Interest	168,000	172,707	4,707
Tuition and Fees	316,148	325,837	9,689
Rent	9,500	8,706	(794)
Extracurricular Activities			
Gifts and Donations			
Customer Services	70,000	64,018	(5,982)
Property and Other Local Taxes	4,069,951	4,061,400	(8,551)
Miscellaneous	70,000	40,114	(29,886)
Total Revenues	<u>11,755,030</u>	<u>11,772,216</u>	<u>17,186</u>
Expenditures:			
Current:			
Instruction:			
Regular	5,775,845	5,596,012	179,833
Special	1,306,824	1,245,270	61,554
Vocational	339,900	315,800	24,100
Other	71,600	45,856	25,744
Support services:			
Pupils	407,095	390,299	16,796
Instructional Staff	485,880	465,827	20,053
Board of Education	35,800	27,801	7,999
Administration	953,451	863,107	90,344
Fiscal	281,285	261,252	20,033
Business	58,960	55,613	3,347
Operation and Maintenance of Plant	1,353,850	1,228,999	124,851
Pupil Transportation	501,250	467,075	34,175
Central	199,000	197,982	1,018
Extracurricular activities	351,353	326,555	24,798
Capital Outlay	12,000	11,710	290
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>12,134,093</u>	<u>11,499,158</u>	<u>634,935</u>
Excess of Revenues Over (Under) Expenditures	<u>(379,063)</u>	<u>273,058</u>	<u>652,121</u>
Other Financing Sources and Uses			
Operating Transfers In			
Refund of Prior Year Expenditures	2,500	1,469	(1,031)
Operating Transfers Out	(87,850)	(87,850)	
Refund of Prior Year Receipts	(600)	(170)	430
Advances Out	(2,000)	(2,000)	
Total Other Financing Sources (Uses)	<u>(87,950)</u>	<u>(88,551)</u>	<u>(601)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(467,013)</u>	<u>184,507</u>	<u>651,520</u>
Fund Balances at Beginning of Year	4,146,135	4,146,135	
Prior Year Encumbrances Appropriated	22,535	22,535	
Fund Balance at end of Year	<u><u>\$3,701,657</u></u>	<u><u>\$4,353,177</u></u>	<u><u>\$651,520</u></u>

Special Revenue			Debt Service		
Budget	Actual	Variance: Favorable (Unfavorable)	Budget	Actual	Variance: Favorable (Unfavorable)
\$386,908	\$384,412	(\$2,496)	\$112,110	\$112,106	(\$4)
3,706	2,184	(1,522)			
94,351	91,493	(2,858)			
1,139	937	(202)			
2,000	9,000	7,000			
			1,095,025	1,094,979	(46)
<u>488,104</u>	<u>488,026</u>	<u>(78)</u>	<u>1,207,135</u>	<u>1,207,085</u>	<u>(50)</u>
83,475	73,641	9,834			
189,331	180,942	8,389			
100,757	86,724	14,033			
39,092	32,585	6,507			
5,956	5,529	427			
			24,319	24,225	94
1,946	1,946				
20,312	19,285	1,027			
136,572	116,833	19,739			
			570,000	570,000	
			633,445	628,877	4,568
<u>577,441</u>	<u>517,485</u>	<u>59,956</u>	<u>1,227,764</u>	<u>1,223,102</u>	<u>4,662</u>
<u>(89,337)</u>	<u>(29,459)</u>	<u>59,878</u>	<u>(20,629)</u>	<u>(16,017)</u>	<u>4,612</u>
			87,850	87,850	
3,200	3,195	(5)			
(300)	(300)				
(169)	(169)				
<u>2,731</u>	<u>2,726</u>	<u>(5)</u>	<u>87,850</u>	<u>87,850</u>	
(86,606)	(26,733)	59,873	67,221	71,833	4,612
147,874	147,874		997,346	997,346	
10,947	10,947				
<u>\$72,215</u>	<u>\$132,088</u>	<u>\$59,873</u>	<u>\$1,064,567</u>	<u>\$1,069,179</u>	<u>\$4,612</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, 2002
(Continued)**

	Capital Projects		
	Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:			
Intergovernmental	\$71,940	\$71,253	(\$687)
Interest	250	79	(171)
Tuition and Fees			
Rent			
Extracurricular Activities			
Gifts and Donations			
Customer Services			
Property and Other Local Taxes	107,000	105,103	(1,897)
Miscellaneous			
Total Revenues	179,190	176,435	(2,755)
Expenditures:			
Current:			
Instruction:			
Regular	77,525	76,029	1,496
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional Staff			
Board of Education			
Administration			
Fiscal	5,100	2,400	2,700
Business			
Operation and Maintenance of Plant	153,000	126,683	26,317
Pupil Transportation			
Central	34,000	34,000	
Extracurricular activities			
Capital Outlay	12,405	12,484	(79)
Debt Service			
Principal			
Interest			
Total Expenditures	282,030	251,596	30,434
Excess of Revenues Over (Under) Expenditures	(102,840)	(75,161)	27,679
Other Financing Sources and Uses			
Operating Transfers In			
Refund of Prior Year Expenditures			
Operating Transfers Out			
Refund of Prior Year Receipts			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(102,840)	(75,161)	27,679
Fund Balances at Beginning of Year	99,188	99,188	
Prior Year Encumbrances Appropriated	55,402	55,402	
Fund Balance at end of Year	\$51,750	\$79,429	\$27,679

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)
			\$7,622,389	\$7,667,205	\$44,816
\$860	\$1,065	\$205	172,816	176,035	3,219
			316,148	325,837	9,689
			9,500	8,706	(794)
			94,351	91,493	(2,858)
8,350	8,350		9,489	9,287	(202)
			72,000	73,018	1,018
			5,271,976	5,261,482	(10,494)
			70,000	40,114	(29,886)
<u>9,210</u>	<u>9,415</u>	<u>205</u>	<u>13,638,669</u>	<u>13,653,177</u>	<u>14,508</u>
			5,936,845	5,745,682	191,163
			1,496,155	1,426,212	69,943
			339,900	315,800	24,100
			71,600	45,856	25,744
			507,852	477,023	30,829
			524,972	498,412	26,560
			35,800	27,801	7,999
			959,407	868,636	90,771
			310,704	287,877	22,827
			58,960	55,613	3,347
			1,508,796	1,357,628	151,168
			501,250	467,075	34,175
7,185	6,560	625	253,312	251,267	2,045
			495,110	449,948	45,162
			24,405	24,194	211
			570,000	570,000	
			633,445	628,877	4,568
<u>7,185</u>	<u>6,560</u>	<u>625</u>	<u>14,228,513</u>	<u>13,497,901</u>	<u>730,612</u>
<u>2,025</u>	<u>2,855</u>	<u>830</u>	<u>(589,844)</u>	<u>155,276</u>	<u>745,120</u>
			87,850	87,850	
			5,700	4,664	(1,036)
			(88,150)	(88,150)	
			(769)	(339)	430
			(2,000)	(2,000)	
			2,631	2,025	(606)
2,025	2,855	830	(587,213)	157,301	744,514
20,135	20,135		5,410,678	5,410,678	
			88,884	88,884	
<u>\$22,160</u>	<u>\$22,990</u>	<u>\$830</u>	<u>\$4,912,349</u>	<u>\$5,656,863</u>	<u>\$744,514</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, 2002**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Operating Revenues:				
Sales	\$536,205			\$536,205
Interest			\$11,326	11,326
Total Operating Revenues	<u>536,205</u>		<u>11,326</u>	<u>547,531</u>
Operating Expenses				
Salaries	232,360			232,360
Fringe Benefits	103,004			103,004
Purchased Services	16,474			16,474
Materials and Supplies	365,169			365,169
Depreciation	5,339			5,339
Other	1,052		17,358	18,410
Total Operating Expenses	<u>723,398</u>		<u>17,358</u>	<u>740,756</u>
Operating (Loss)	(187,193)		(6,032)	(193,225)
Non-Operating Revenues and Expenses				
Federal Donated Commodities	43,082			43,082
Interest	2,367			2,367
Federal and State Subsidies	145,345			145,345
Total Non-Operating Revenues and Expenses	<u>190,794</u>			<u>190,794</u>
Net Income (Loss)	3,601		(6,032)	(2,431)
Retained Earnings/Fund Balances at Beginning of Year	30,595	\$637	251,667	282,899
Prior Period Adjustment	<u>58,929</u>			<u>58,929</u>
Retained Earnings/Fund Balances at Beginning of Year - Restated	<u>89,524</u>	637	251,667	<u>341,828</u>
Retained Earnings/Fund Balances at End of Year	<u>\$93,125</u>	<u>\$637</u>	<u>\$245,635</u>	<u>\$339,397</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 Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002**

	<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	\$536,205			\$536,205
Cash Payments to Suppliers for Goods and Serv	(319,709)			(319,709)
Cash Payments for Contract Services	(16,474)			(16,474)
Cash Payments for Employee Services	(230,130)			(230,130)
Cash Payments for Employee Benefits	(97,622)			(97,622)
Other Cash Payments	(1,052)		(\$17,358)	(18,410)
Net Cash Used by Operating Activities	(128,782)		(17,358)	(146,140)
<u>Cash Flows from Noncapital Financing Activities:</u>				
Operating Grants Received	145,345			145,345
Net Cash Provided by Noncapital Financing Activities	145,345			145,345
<u>Cash Flows from Investing Activities:</u>				
Interest Received	2,367		11,935	14,302
Net Cash Provided by Investing Activities	2,367		11,935	14,302
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Payments for Capital Acquisitions	(11,964)			(11,964)
Net Cash Used by Capital and Related Financing Activities	(11,964)			(11,964)
Net Increase (Decrease) in Cash and Cash Equivalents	6,966		(5,423)	1,543
Cash and Cash Equivalents at Beginning of Year	102,938	\$637	251,058	354,633
Cash and Cash Equivalents at End of Year	\$109,904	\$637	\$245,635	\$356,176

(Continued)

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Combined Statement of Cash Flows
All Proprietary and Similar Fiduciary Fund Types
For the Year Ended June 30, 2002
(Continued)**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Nonexpendable Trust</u>	
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Operating Loss	(\$187,193)		(\$6,032)	(\$193,225)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:				
Depreciation	5,339			5,339
Donated Commodities Used				
During the Year	43,082			43,082
Adjustments to Capital Outlay	3,965			3,965
Nonexpendable Trust Interest			(11,935)	(11,935)
(Increase) Decrease in Assets:				
Accrued Interest			609	609
Material and Supplies Inventory	(4,846)			(4,846)
Increase (Decrease) in Liabilities:				
Compensated Absences Payable	1,137			1,137
Intergovernmental Payable	(848)			(848)
Deferred Revenue	4,051			4,051
Accrued Wages and Benefits	7,323			7,323
Accounts Payable	(792)			(792)
	<u>58,411</u>		<u>(11,326)</u>	<u>47,085</u>
Total Adjustments	58,411		(11,326)	47,085
Net Cash Used by Operating Activities	<u>(\$128,782)</u>		<u>(\$17,358)</u>	<u>(\$146,140)</u>

Reconciliation of Nonexpendable Trust Fund Cash Balance as of June 30, 2002:

Cash and Cash Equivalents - Trust and Agency Funds	\$344,414
Less: Expendable Trust Funds	(22,990)
Less: Agency Funds	<u>(75,789)</u>
Cash and Cash Equivalents - Nonexpendable Trust Funds	<u><u>\$245,635</u></u>

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wauseon Exempted Village School District (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 67 noncertified and 131 certificated full time teaching personnel who provide services to 2,110 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 16.

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, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan and the Ohio School Plan. These organizations are presented in Notes 14 and 15 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.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 this fund are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., 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 nonexpendable 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 a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the 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 included timing requirements, which specify the year when the revenue resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources provided to the District on a reimbursement basis. On a 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 deemed 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 have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility 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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

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 general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

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 - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds - 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).

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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, nonexpendable trust, and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Nonexpendable 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 Fixed Assets - Fixed assets acquired or constructed for general governmental services are recorded as expenditures in the fund making the expenditures and capitalized at cost in the General Fixed Assets Account Group.

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 fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 2002. 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 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 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 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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 2002, 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 2002 amounted to \$172,707; interest in the amount of \$17,021 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 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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

F. Property, Plant and Equipment

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The District follows the policy of not capitalizing assets with a cost of less than \$5,000. This is based primarily on the uniqueness of these items to a school operation. No depreciation is recognized for asset in General Fixed Assets Account Group. The District does not have any infrastructure.

Public Domain ("infrastructure") general fixed assets consisting of curbs, gutters, sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

2. Proprietary Funds

Property plant and equipment reflected in the Proprietary Funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Contributed fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided for furniture, fixtures, and equipment on a straight-line basis over an estimated useful life of seven to twenty years.

G. 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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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

Reimbursable Grants

General Fund
Driver Education

Proprietary Funds
National School Lunch Program
Government Donated Commodities

H. 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 interfund loans are classified as interfund receivables and interfund payables. Long-term interfund 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.

I. 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, 2002.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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.

J. 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.

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

K. 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 interfund transfers are reported as operating transfers.

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, advances, property taxes, 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. Interfund eliminations have not been made in the aggregation of this data.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 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 for all funds (budget basis) rather than as a reservation of fund balance for governmental 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	\$184,507	(\$26,733)	\$71,833	(\$75,161)	\$2,855
Revenue Accruals	231,902	6,428	(29,030)	3,253	
Expenditure Accruals	(245,143)	1,190		(55,410)	
Other Sources/Uses	2,000				
Encumbrances	22,683	27,976		85,387	
GAAP Basis	\$195,949	\$8,861	\$42,803	(\$41,931)	\$2,855

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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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.

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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".

Deposits

At year end, the carrying amount of the District's deposits was \$6,221,872 and the bank balance was \$6,454,131. Of the bank balance:

1. \$300,000 was covered by federal depository insurance;
2. \$1,840,760 was secured in the District name with specific pledge securities; and
3. \$4,313,371 was uninsured and uncollateralized. Noncompliance with federal requirements could 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	\$6,224,872
Cash on Hand	(3,000)
GASB Statement No. 3	\$6,221,872

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 2002 taxes are based as follows:

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$129,577,760	74%	\$132,601,420	79%
Public Utility	12,738,160	19%	9,587,400	6%
Tangible Personal Property	32,047,240	7%	25,095,060	15%
Total Assessed Value	<u>\$174,363,160</u>	<u>100%</u>	<u>\$167,283,880</u>	<u>100%</u>
Tax rate per \$1,000 of Assessed valuation	<u>\$45.20</u>		<u>\$45.20</u>	

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, 2002, are available to finance fiscal year 2002 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, 2002. 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, 2002 was \$794,830 and is recognized as revenue. \$626,534 was available to the general fund, \$15,793 was available to the capital projects fund and \$152,503 was available to the debt service fund. At June 30, 2001, \$588,796 was available to the School District.

6. RECEIVABLES

Receivables at June 30, 2002, 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. FIXED ASSETS

A summary of changes in the General Fixed Assets Account Group is as follows:

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

	Balance at 6/30/01	Additions	Disposals	Balance at 6/30/02
Land	\$387,500			\$387,500
Improvements	\$483,015			483,015
Buildings	12,973,455			12,973,455
Furniture/Equipment	317,658	\$19,121		336,779
Motor Vehicles	753,688	77,836	\$13,025	818,499
Total	\$14,915,316	\$96,957	\$13,025	\$14,999,248

A summary of Enterprise Fund fixed assets at June 30, 2002 follows:

<u>Asset Category</u>	<u>Balance at 6/30/02</u>
Furniture and equipment	\$137,757
Less accumulated depreciation	(76,168)
Total	\$61,589

8. RISK MANAGEMENT

A. 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 fully considered.

Coverage provided by Ohio School Plan	
General Liability	
Per Occurrence	\$1,000,000
Total per Year	3,000,000
Coverage provided by Hartford Insurance	
Blanket Property Insurance (\$1,000 deductible)	32,779,644
Coverage provided by Ohio School Plan	
Auto Coverage	
Liability	1,000,000
Auto Medical Payment	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in insurance coverage from last year.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

9. 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.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute 14 percent; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. 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, 2002, 2001, and 2000 were \$75,592, \$106,562 and \$116,150, respectively; 51 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$37,164 representing the unpaid contribution for fiscal year 2002 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; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. 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, 2002, 2001, and 2000 were \$609,830, \$565,734 and \$326,732, respectively; 83 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$101,598 represents the unpaid contribution for fiscal year 2002, and is recorded as a liability within the respective funds.

10. 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 Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 monthly premiums.

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, 2002, the board allocated employer contributions equal to 4.5 percent of covered payroll to Health Care Reserve Fund. For the School District this amount equaled \$288,867. The balance in the Health Care Reserve Fund was \$3.256 billion on June 30, 2001.

For the year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000. There were 102,132 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, 2002, the allocation rate is 8.54 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 2002, the minimum pay has been established as \$12,400. For the District, the amount to fund health care benefits, including the surcharge was \$130,633.

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, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the Retirement System's net assets available for payment of health care benefits were \$315.7 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 .70, then adding the surcharge due as of June 30, 2002, as certified to your district by SERS.

11. 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) employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. At June 30, 2002, a current liability of \$8,694 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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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 for bus drivers and 52 days for all other employees. At June 30, 2002, a current liability of \$14,608 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 \$572,804 for severance pay and sick leave payable at June 30, 2002, 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.

12. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt outstanding at June 30, 2002 consisted of the following:

	<u>School Improvement</u>	<u>Capital Appreciation</u>	<u>Energy Conservation</u>
General Obligation Bonds			
Principal Outstanding	\$11,754,837	\$558,628	\$90,000
Interest Rate	4.25%	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 \$628,877 for the period ended June 30, 2002.

During the year ended June 30, 2002, the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	<u>Balance at June 30, 2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2002</u>
General obligation bonds	\$12,817,492	\$155,973	\$570,000	\$12,403,465
Compensated absences payable	545,729	27,075		572,804
Due to other governments	68,544	3,325		71,869
Total	<u><u>\$13,431,765</u></u>	<u><u>\$186,373</u></u>	<u><u>\$570,000</u></u>	<u><u>\$13,048,138</u></u>

The scheduled payments of principal and interest on debt outstanding at June 30, 2002 are as follows:

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

For the Years Ending June 30,	Principal	Interest	Total
2003	\$543,209	\$470,397	\$1,013,606
2004	385,256	473,251	858,507
2005	510,000	598,512	1,108,512
2006	465,000	575,611	1,040,611
2007	490,000	552,685	1,042,685
2008 and thereafter	10,010,000	4,787,954	14,797,954
Total	<u>\$12,403,465</u>	<u>\$7,458,410</u>	<u>\$19,861,875</u>

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, 2002, \$1,340,000 of bonds outstanding are considered defeased.

13. 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, 2002 was as follows:

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$476,144	\$60,061	\$536,205
Operating Income (Loss)	(193,783)	6,590	(187,193)
Donated Commodities	43,082		43,082
Grants	145,345		145,345
Interest	2,367		2,367
Net Income (Loss)	(2,989)	6,590	3,601
Total Assets	167,214	16,944	184,158
Total Liabilities	91,033		91,033
Total Equity	76,181	16,944	93,125
Net working capital	14,592	16,944	31,536

14. 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 Lucas, Wood, 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.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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. 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, Lois Knuth, 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 twenty-five county area of 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., P.O. Box 456, Ashland, Ohio 44805.

15. 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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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.

In fiscal year 2002, the Wauseon Exempted Village School District contributed a total for all four plans \$761,240, 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.

C. Ohio School Plan

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

16. RELATED ORGANIZATION

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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, Marcela DeLeon, who serves as Treasurer, at 117 East Elm Street, Wauseon, Ohio 43567.

17. AGENCY FUNDS

Combined Statement of Changes in Assets and Liabilities				
	Balance at 7/1/01	Additions	Deductions	Balance at 6/30/02
Cash	\$61,795	\$13,994		\$75,789
Other liabilities	\$61,795	\$13,994		\$75,789

18. TRANSFERS

Transfers for the year ended June 30, 2002 consist of the following:

	Transfers In	Transfers Out
General Fund		\$87,850
Debt Service Fund	\$87,850	
Total transfers	\$87,850	\$87,850

19. SET-ASIDE CALCULATIONS AND FUND RESERVES

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by 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 District in fiscal year 2002 transferred the entire amount which was required to set aside for budget stabilization to the general fund as per legislative requirements.

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.

	Textbooks	Capital Acquisition	Budget Stabilization
Balance Carried Forward from FY 01	(\$4,473)		\$48,546
Current Year Set-aside Requirement	\$248,329	\$248,329	
Current Year Offsets		(105,103)	
Legislative Transfer			(48,546)
Qualifying Disbursements	(388,786)	(143,226)	
Balance Carried Forward to FY03	(\$144,930)		

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the General-Propose Financial Statements
June 30, 2002
(Continued)**

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.

20. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

21. PRIOR PERIOD ADJUSTMENTS / CHANGE IN ACCOUNTING PRINCIPAL

In prior years, the District did not present a General Fixed Assets Account Group nor did it report fixed assets and related depreciation in its enterprise fund type as required by Generally Accepted Accounting Principals. For the fiscal year ended June 30, 2002, the District has presented a General Fixed Assets Account Group and reported fixed assets in its enterprise fund type.

The presentation of fixed assets in the enterprise fund type in conformity with Generally Accepted Accounting Principles resulted in a restatement of the beginning retained earnings and had the following effect on net loss of the enterprise fund type as previously reported for the year ended June 30, 2001:

Retained Earnings as Reported 6/30/01	\$30,595
Effect of Change in Accounting Principal	<u>58,929</u>
Restated Retained Earnings 7/01/01	<u><u>\$89,524</u></u>
Net Loss as Reported 6/30/01	(\$12,653)
Effect of change in accounting principle: 2001 Depreciation	<u>(4,670)</u>
Restated Net Income 6/30/01	<u><u>(\$17,323)</u></u>

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number	Program or Award Amount
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-S1-02 C1-S1-01	115,718 115,143
Total Title I			
<u>Special Education Cluster</u>			
Title VI-B	84.027	6B-SF-02P 6B-EC-01P 6B-SF-00P	123,512 4,033 94,426
Preschool Grant	84.173	PG-S1-01P	8,420
Total Special Education Cluster			
Title VI - Education program Strategies	84.298	C2-S1-02 C2-S1-01	10,488 9,852
Total Title VI			
Title II - Eisenhower Professional Development State Grants	84.281	MS-S1-02 MS-S1-01	8,839 6,909
Total Title II			
Title VI - R - Class size reduction subsidy	84.340	CR-S1-02 CR-S1-01	38,347 28,265
Total VI - R			
SchoolNet - Assistive Technology Grant	84.353A	ATS1-02	1,566
Drug Free Schools Grant	84.186	DR-S1-02 DR-S1-01	7,959 8,264
Total Drug Free Schools Grant			
Total Department Of Education			
TOTAL FEDERAL AWARDS EXPENDITURES			

The accompanying notes are an integral part of this schedule.

Cash Receipts	Non-cash Receipts	Cash Disbursements	Non-cash Disbursements
	\$47,134		\$43,082
\$140,294		\$140,294	
140,294	47,134	140,294	43,082
112,782		107,329	
		7,727	
112,782		115,056	
122,072		110,281	
4,033		4,033	
		10,154	
8,420		7,763	
134,525		132,231	
10,488		10,488	
8,079		9,750	
18,567		20,238	
7,961		1,879	
672		2,177	
8,633		4,056	
35,105		33,414	
		5,006	
35,105		38,420	
1,566		1,566	
7,959		6,714	
8		804	
7,967		7,518	
319,145	47,134	319,085	43,082
\$459,439	\$47,134	\$459,379	\$43,082

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
June 30, 2002**

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

Nonmonetary 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, 2002, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
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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, 2002, and have issued our report thereon dated December 13, 2002, in which we noted that the District had, for the first time, presented a General Fixed Asset Account Group and reported fixed assets in its enterprise fund type. 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 13, 2002.

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.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 13, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One Government Center
Suite 1420
Toledo, Ohio 43604-2246
Telephone 419-245-2811
800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

**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 (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, 2002. 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, 2002.

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.

Wauseon Exempted Village School District
Fulton County
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*
Page 2

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.

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 13, 2002

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Findings
OMB Circular A -133 §.505
June 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(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?	No
(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**

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Prior Audit Findings
June 30, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-10126-001	Fixed Assets not capitalized.	Yes	
2001-10126 -002	Physical inventory of equipment purchased with federal funds not maintained.	Yes	



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 9, 2003**