



**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT  
FULTON COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED JUNE 30, 1999**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



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## REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Wauseon Exempted Village School District, Fulton County, (the District) as of and for the year ended June 30, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, except for the effect on the general-purpose financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 1999, and the results of its operations and cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 1999, 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.

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

**Jim Petro**  
Auditor of State

December 29, 1999

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**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUP  
AS OF JUNE 30, 1999**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 2,239,163	\$ 86,339	\$ 785,264	\$ 1,145,730
Receivables:				
Taxes	3,736,574		1,053,717	97,989
Accrued interest	211			
Due from other governments	21,165			
Materials and supplies inventory	26,681			
Restricted assets:				
Equity in pooled cash and cash equivalents	114,961			
<b>Other Debits:</b>				
Amount available in debt service fund				
Amount to be provided for retirement of general long-term obligations				
<b>Total Assets and Other Debits</b>	<b><u>\$ 6,138,755</u></b>	<b><u>\$ 86,339</u></b>	<b><u>\$ 1,838,981</u></b>	<b><u>\$ 1,243,719</u></b>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 76,061	\$ 1,335		\$ 182,720
Due to Students				
Accrued salaries and benefits payable	796,246	17,622		
Due to other governments	164,952	94		
Deferred revenue - taxes	3,428,717		\$ 985,374	89,913
Employee benefit obligations	7,081			
General obligation bonds payable				
Total Liabilities	<u>4,473,057</u>	<u>19,051</u>	<u>985,374</u>	<u>272,633</u>
<b>Equity and Other Credits:</b>				
Retained earnings				
Fund balance and other credits:				
Reserved for trust				
Reserved for encumbrances	282,868	12,385		602,674
Reserved for inventory	26,681			
Reserved for property taxes advances available	307,857		68,343	8,077
Reserved for budget-set-aside	114,961			
Unreserved: Undesignated	933,331	54,903	785,264	360,335
Total Equity and Other Credits	<u>1,665,698</u>	<u>67,288</u>	<u>853,607</u>	<u>971,086</u>
<b>Total Liabilities, Equity and Other Credits</b>	<b><u>\$ 6,138,755</u></b>	<b><u>\$ 86,339</u></b>	<b><u>\$ 1,838,981</u></b>	<b><u>\$ 1,243,719</u></b>

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



Proprietary Fund Type		Fiduciary Fund Type	Account Group	Totals (Memorandum Only)
Enterprise	Internal Service	Trust and Agency	General Long-term Obligations	
\$ 43,508	\$ 551	\$ 315,234		\$ 4,615,789
				4,888,280
				211
16,411				37,576
8,255				34,936
				114,961
			\$ 785,264	785,264
			13,373,875	13,373,875
<b>\$ 68,174</b>	<b>\$ 551</b>	<b>\$ 315,234</b>	<b>\$ 14,159,139</b>	<b>\$ 23,850,892</b>

\$ 3,305		\$ 10,084		\$ 273,505
		\$ 46,545		
8,990				822,858
11,654			\$ 64,861	241,561
				4,504,004
2,926			604,441	614,448
			13,489,837	13,489,837
26,875		56,629	14,159,139	19,992,758
41,299	\$ 551			41,850
		244,684		244,684
				897,927
				26,681
				384,277
				114,961
		13,921		2,147,754
41,299	551	258,605		3,858,134
<b>\$ 68,174</b>	<b>\$ 551</b>	<b>\$ 315,234</b>	<b>\$ 14,159,139</b>	<b>\$ 23,850,892</b>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>Governmental Fund Types</b>	
	<b>General</b>	<b>Special Revenue</b>
<b>Revenues:</b>		
Taxes	\$ 3,587,211	
Intergovernmental	5,626,545	\$ 277,014
Earnings on investments	217,917	4,095
Extracurricular activities		80,645
Miscellaneous	122,038	3,570
Total Revenues	9,553,711	365,324
<b>Expenditures:</b>		
Instruction:		
Regular	4,804,705	49,562
Special	884,219	207,687
Vocational	273,679	
Other	36,120	
Support services:		
Pupils	325,931	12,291
Instructional staff	328,689	10,739
Board of education	36,504	
Administration	885,754	
Fiscal	185,806	
Business	45,700	
Operation and maintenance - plant	1,037,695	
Pupil transportation	357,791	
Central services	28,816	
Extracurricular activities	236,420	91,580
Capital outlay		
Debt service:		
Principal retirement		
Interest and fiscal charges		
Total expenditures	9,467,829	371,859
Excess of revenues over (under) expenditures	85,882	(6,535)
<b>Other Financing Sources and (Uses):</b>		
Transfers - in		
Transfers - out	(90,610)	
Other	26,821	
Total other financing sources (uses)	(63,789)	
Excess of revenues and other financing sources over (under) expenditures and other financing (uses)	22,093	(6,535)
Fund balance, beginning of year	1,643,605	73,823
<b>Fund balance, end of year</b>	<b>\$ 1,665,698</b>	<b>\$ 67,288</b>

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

Governmental Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$ 993,597	\$ 93,978		\$ 4,674,786
106,345	500,996		6,510,900
	85,025	\$ 490	307,527
			80,645
		8,389	133,997
<u>1,099,942</u>	<u>679,999</u>	<u>8,879</u>	<u>11,707,855</u>
	122,691		4,976,958
			1,091,906
			273,679
			36,120
			338,222
			339,428
			36,504
			885,754
22,565	2,134		210,505
			45,700
	100,846		1,138,541
			357,791
			28,816
		1,035	329,035
	5,110,776		5,110,776
505,000			505,000
698,646			698,646
<u>1,226,211</u>	<u>5,336,447</u>	<u>1,035</u>	<u>16,403,381</u>
<u>(126,269)</u>	<u>(4,656,448)</u>	<u>7,844</u>	<u>(4,695,526)</u>
90,610			90,610
			(90,610)
			26,821
<u>90,610</u>			<u>26,821</u>
(35,659)	(4,656,448)	7,844	(4,668,705)
889,266	5,627,534	6,077	8,240,305
<u>\$ 853,607</u>	<u>\$ 971,086</u>	<u>\$ 13,921</u>	<u>\$ 3,571,600</u>

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Local sources:			
Taxes	\$ 3,645,000	\$ 3,643,803	\$ (1,197)
Intergovernmental	5,622,000	5,624,818	2,818
Tuition and Fees	12,000	13,155	1,155
Earnings on Investment	215,000	217,998	2,998
Extracurricular Activities			
Miscellaneous	95,000	93,456	(1,544)
Total revenues	<u>9,589,000</u>	<u>9,593,230</u>	<u>4,230</u>
<b>Expenditures:</b>			
Instruction:			
Regular	4,884,840	4,883,403	1,437
Special	884,396	883,099	1,297
Vocational	277,063	275,283	1,780
Other	36,662	36,120	542
Support services:			
Pupils	330,330	329,599	731
Instructional staff	359,372	357,200	2,172
Board of education	40,132	39,844	288
Administration	916,353	913,784	2,569
Fiscal	188,011	185,643	2,368
Business	44,982	44,804	178
Operation and maintenance - plant	1,095,763	1,094,694	1,069
Pupil transportation	434,838	426,985	7,853
Central services	32,100	32,098	2
Community services			
Extracurricular activities	236,320	235,746	574
Capital outlay			
Debt service			
Total expenditures	<u>9,761,162</u>	<u>9,738,302</u>	<u>22,860</u>
Excess of revenue over (under) expenditures	<u>(172,162)</u>	<u>(145,072)</u>	<u>27,090</u>
<b>Other Financing Sources and (Uses):</b>			
Transfers - in			
Transfers - out	(91,000)	(90,610)	390
Refund of prior year's expense	2,500	3,042	542
Sale (loss) of assets	20,000	23,779	3,779
Total other financing sources (uses)	<u>(68,500)</u>	<u>(63,789)</u>	<u>4,711</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(240,662)	(208,861)	31,801
Fund balance, beginning of year	<u>1,691,101</u>	<u>1,891,306</u>	<u>200,205</u>
Prior year encumbrances appropriated	<u>471,593</u>	<u>271,388</u>	<u>(200,205)</u>
<b>Fund balance, end of year</b>	<b><u>\$ 1,922,032</u></b>	<b><u>\$ 1,953,833</u></b>	<b><u>\$ 31,801</u></b>

Special Revenue Fund			Debt Service Funds		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$ 279,215	\$ 277,014	\$ (2,201)	\$ 1,025,000	\$ 1,023,864	\$ (1,136)
			105,000	106,344	1,344
	4,095	4,095			
75,450	80,645	5,195			
100	3,570	3,470			
<u>354,765</u>	<u>365,324</u>	<u>10,559</u>	<u>1,130,000</u>	<u>1,130,208</u>	<u>208</u>
44,133	38,333	5,800			
223,738	216,856	6,882			
12,833	12,291	542			
25,386	18,139	7,247			
			26,000	22,564	3,436
700		700			
108,799	105,605	3,194			
			1,203,646	1,203,646	
<u>415,589</u>	<u>391,224</u>	<u>24,365</u>	<u>1,229,646</u>	<u>1,226,210</u>	<u>3,436</u>
<u>(60,824)</u>	<u>(25,900)</u>	<u>34,924</u>	<u>(99,646)</u>	<u>(96,002)</u>	<u>3,644</u>
			90,700	90,610	(90)
			90,700	90,610	(90)
(60,824)	(25,900)	34,924	(8,946)	(5,392)	3,554
45,361	71,774	26,413	783,384	790,656	7,272
44,683	18,270	(26,413)	7,272		(7,272)
<b>\$ 29,220</b>	<b>\$ 64,144</b>	<b>\$ 34,924</b>	<b>\$ 781,710</b>	<b>\$ 785,264</b>	<b>\$ 3,554</b>

(Continued)

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999  
(Continued)**

	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance: Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Local sources:			
Taxes	\$ 97,000	\$ 95,612	\$ (1,388)
Intergovernmental	849,090	500,995	(348,095)
Tuition and Fees			
Earnings on Investment	220,000	220,756	756
Extracurricular Activities			
Miscellaneous			
Total revenues	<u>1,166,090</u>	<u>817,363</u>	<u>(348,727)</u>
<b>Expenditures:</b>			
Instruction:			
Regular	250,915	127,691	123,224
Special			
Vocational			
Other			
Support services:			
Pupils			
Instructional staff			
Board of education			
Administration			
Fiscal	2,600	2,134	466
Business			
Operation and maintenance - plant	178,796	178,637	159
Pupil transportation			
Central services			
Community services			
Extracurricular activities			
Capital outlay	5,924,189	5,685,678	238,511
Debt service			
Total expenditures	<u>6,356,500</u>	<u>5,994,140</u>	<u>362,360</u>
Excess of revenue over (under) expenditures	<u>(5,190,410)</u>	<u>(5,176,777)</u>	<u>13,633</u>
<b>Other Financing Sources and (Uses):</b>			
Transfers - in			
Transfers - out			
Refund of prior year's expense			
Sale (loss) of assets			
Total other financing sources (uses)			
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(5,190,410)	(5,176,777)	13,633
Fund balance, beginning of year	<u>675,753</u>	<u>1,592,127</u>	<u>916,374</u>
Prior year encumbrances appropriated	<u>4,861,359</u>	<u>3,944,985</u>	<u>(916,374)</u>
<b>Fund balance, end of year</b>	<b><u>\$ 346,702</u></b>	<b><u>\$ 360,335</u></b>	<b><u>\$ 13,633</u></b>

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

Expendable Trust Funds			Totals (Memorandum only)		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
			\$ 4,767,000	\$ 4,763,279	\$ (3,721)
			6,855,305	6,509,171	(346,134)
			12,000	13,155	1,155
\$ 490	\$ 490		435,490	443,339	7,849
			75,450	80,645	5,195
8,400	8,389	\$ (11)	103,500	105,415	1,915
8,890	8,879	(11)	12,248,745	11,915,004	(333,741)
			5,179,888	5,049,427	(130,461)
			1,108,134	1,099,955	(8,179)
			277,063	275,283	(1,780)
			36,662	36,120	(542)
			343,163	341,890	(1,273)
			384,758	375,339	(9,419)
			40,132	39,844	(288)
			916,353	913,784	(2,569)
			216,611	210,341	(6,270)
			44,982	44,804	(178)
			1,274,559	1,273,331	(1,228)
			434,838	426,985	(7,853)
			32,100	32,098	(2)
			700		(700)
2,121	1,035	1,086	347,240	342,386	(4,854)
			5,924,189	5,685,678	(238,511)
			1,203,646	1,203,646	
2,121	1,035	1,086	17,765,018	17,350,911	(414,107)
6,769	7,844	1,075	(5,516,273)	(5,435,907)	80,366
			90,700	90,610	(90)
			(91,000)	(90,610)	390
			2,500	3,042	542
			20,000	23,779	3,779
			22,200	26,821	4,621
6,769	7,844	1,075	(5,494,073)	(5,409,086)	84,987
5,101	5,827	726	3,200,700	4,351,690	1,150,990
976	250	(726)	5,385,883	4,234,893	(1,150,990)
<b>\$ 12,846</b>	<b>\$ 13,921</b>	<b>\$ 1,075</b>	<b>\$ 3,092,510</b>	<b>\$ 3,177,497</b>	<b>\$ 84,987</b>

**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, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
<b>Operating Revenues:</b>				
Charges for services	\$ 404,573			\$ 404,573
Classroom materials and fees	59,505			59,505
Other operating revenues	1,531		\$ 87,575	89,106
Total operating revenues	465,609		87,575	553,184
<b>Operating Expenses:</b>				
Salaries and wages	197,372			197,372
Fringe benefits	80,127			80,127
Purchased services	13,304	\$ 40		13,344
Materials and supplies	305,254			305,254
Capital outlay	20,761			20,761
Other operating expenses	247		317	564
Total operating expenses	617,065	40	317	617,422
Operating income (loss)	(151,456)	(40)	87,258	(64,238)
<b>Non-operating Revenues:</b>				
Intergovernmental	114,077			114,077
Other non-operating revenues		126		126
Total nonoperating revenues	114,077	126		114,203
Net income	(37,379)	86	87,258	49,965
Retained earnings/fund balance, beginning of year	78,678	465	157,426	236,569
Retained earnings/fund balance, end of year	<u>\$ 41,299</u>	<u>\$ 551</u>	<u>\$ 244,684</u>	<u>\$ 286,534</u>

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



**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 1999**

	Proprietary Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust	
	<b>Cash Flows From Operating Activities:</b>			
Operating income (loss)	\$ (151,456)	\$ (40)	\$ 87,258	\$ (64,238)
Adjustments to reconcile operating income (loss) to net cash provided for (used by) operating activities:				
Decrease in assets:				
Inventories	5,364			5,364
Due from other governments	(16,411)			(16,411)
Increase (decrease) in liabilities:				
Accounts payable	2,574			2,574
Accrued salaries and benefits payable	(136)			(136)
Due to other governments	1,379			1,379
Total adjustments	(7,230)			(7,230)
Net cash provided (used) by operating activities	(158,686)	(40)	87,258	(71,468)
<b>Cash Flows From Noncapital Financing Activities:</b>				
Nonoperating grants received	114,077			114,077
Other Nonoperating revenues		126		126
Net cash flows from noncapital financing activities	114,077	126		114,203
Net increase in cash and cash equivalents	(44,609)	86	87,258	42,735
Cash and cash equivalents, beginning of year	88,117	465	157,426	246,008
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 43,508</u></b>	<b><u>\$ 551</u></b>	<b><u>\$ 244,684</u></b>	<b><u>\$ 288,743</u></b>

**Reconciliation of Nonexpendable Trust Fund:**

Equity in Pooled Cash and Investments to the Balance Sheet			
Total Equity in Pooled Cash and Investments - Trust and Agency Funds			\$ 315,234
Less: Equity in Pooled Cash and Investments - Agency Funds			(56,629)
- Expendable Trust Funds			(13,921)
Equity in Pooled Cash and Investments - Nonexpendable Trust Fund			<u>\$ 244,684</u>

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

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**

**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

Wauseon Exempted Village 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 64 noncertified and 125 certificated full time teaching personnel who provide services to 1,981 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.

Component units are legally separate organizations for which the School District is financially accountable. 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. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes for the organization. The School District has no component units.

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 Joint Vocational School, the Northern Buckeye Education Council's Employee Insurance Benefits Program, and the Northern Buckeye Education Council Workers' Compensation Group Rating Plan. These organizations are presented in Notes 13 and 14 to the general-purpose financial statements.

**NOTE 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.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting**

The School District uses funds and account groups to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary and fiduciary.

**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).

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Basis Of Presentation - Fund Accounting (Continued)**

**2. Proprietary Fund Types**

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

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

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

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The School District's fiduciary funds include expendable trust, 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 group is used:

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

**B. Measurement Focus and Basis of Accounting**

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

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

All proprietary fund types and nonexpendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statement present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999 and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

The measurement focus of a 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.

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund types and nonexpendable trust funds. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 budgets, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

**1. Tax Budget**

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

**2. Estimated Resources**

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999. Prior to year-end, the School District requested an amended certificate of estimated resources that reflected actual revenue for the fiscal year.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Budgetary Data (Continued)**

**3. Appropriations**

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission. Any revisions that alter the total of any fund appropriations or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education. The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**4. Encumbrances**

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

**5. Lapsing of Appropriations**

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

**D. Cash and Cash Equivalents**

To improve cash management, all cash received by the School District 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's 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 fiscal year 1999, investments were limited to Certificates of Deposit valued at cost.



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Cash and Cash Equivalents (Continued)**

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 1999 amounted to \$217,917 interest in the amount of \$89,610 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 original maturities of three months or less at the time they are purchased by the School District is considered to be cash equivalent. Investments with an initial maturity of more than three months are reported as investments.

**E. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. See Note 19 to these financial statements.

**F. Estimates**

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

**G. Fund Balance Reserves**

The School District reserves fund balance for amounts that are legally segregated for a specific purpose or which are not available for appropriation. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, inventory, property taxes, HB 412 budget reserve and trusts. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. 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.

**I. 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 a 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***

Title VIB - Flow Through  
Disadvantaged Pupil Program  
Eisenhower Grant  
Title I  
Title VI  
Drug Free Grant  
Preschool Grant  
Educational Management Information System  
Professional Development  
Martha Holden Jennings Foundation

***Capital Projects Funds***

School Net Plus  
School Net Technology Grant  
Emergency Building Repair Fund

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I. Intergovernmental Revenues (Continued)**

**Reimbursable Grants**

***General Fund***

Driver Education

***Proprietary Funds***

National School Lunch Program

Government Donated Commodities

**J. 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 combined 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.

**K. 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. The liability is an estimate based on the School District’s past experience of making termination payments. These compensated absences are measured using the rates in effect at June 30, 1999.

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 absence is the amount to be paid using expendable available resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, compensated absences are expensed when earned. The entire amount of unpaid compensated absences is reported as a fund liability.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. 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 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.

Under Ohio law, a debt retirement fund must be created and used for the payment of tax anticipation notes. Generally accepted accounting principle requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District's debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest has also been allocated accordingly.

**M. 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.

**N. Total Columns on General-Purpose Financial Statements**

Total columns on the general-purpose 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.

**NOTE 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 and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, All Proprietary Fund Types and Nonexpendable Trust Funds are 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:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING (Continued)**

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosures in the proprietary fund types (GAAP basis).
4. Proceeds from and principal payment on bond and tax anticipation notes are reported on the operating statement (budget basis) rather than on the balance sheet (GAAP basis).
5. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

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
GAAP Basis	\$ 22,093	\$ (6,535)	\$ (35,659)	\$ (4,656,448)	\$ 7,844
Change in receivables and other assets not recognized on budget basis - July 1 to June 30	(82,757)		218,805	126,885	
Change in liabilities not recognized on budget basis - July 1 to June 30	252,094	2,830	(188,538)	138,180	
Reserve for encumbrances - budgetary basis	(400,291)	(22,195)		(785,394)	
Budgetary Basis	\$ (208,861)	\$ (25,900)	\$ (5,392)	\$ (5,176,777)	\$ 7,844

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4- CASH AND CASH EQUIVALENTS**

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

Protection of the 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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. Bond 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) 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 (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date, and in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 4 – CASH AND CASH EQUIVALENTS (Continued)**

8. Under limited circumstances, corporate debt interest rated in either of the two highest rated class classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee 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 \$1,500 in 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 School District's deposits was \$4,729,250 and the bank balance was \$4,839,647. Of the bank balance:

1. \$200,000 was covered by federal depository insurance; and
2. \$4,639,647 was uninsured and uncollateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**NOTE 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 1999 taxes are based as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 5 – PROPERTY TAXES (Continued)**

	1998 Second-Half Collections		1999 Second-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 111,066,750	77.59%	\$ 113,282,010	77.37%
Public Utility Personal	13,613,170	9.51%	13,725,300	9.37%
Tangible Personal Property	18,451,700	12.90%	19,407,790	13.26%
<b>Total</b>	<b>\$ 143,139,620</b>	<b>100.00%</b>	<b>\$ 146,415,100</b>	<b>100.00%</b>
Tax rate per \$1,000 of assessed valuation	<u>\$43.30</u>		<u>\$46.90</u>	

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due January 20 with the remainder payable by July 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, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 1999. 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, 1999 was \$384,277 and is recognized as revenue. \$307,857 was available to the general fund, \$8,077 was available to the capital projects fund and \$68,343 was available to the debt service fund. At June 30, 1998, \$472,768 was available to the School District.

**NOTE 6 – RECEIVABLES**

Receivables at June 30, 1999 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. A summary of the principal items of intergovernmental receivables follows:



**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 6 – RECEIVABLES (Continued)**

<u>Intergovernmental Receivables</u>	<u>Amounts</u>
General Fund:	
Ohio Department of Education	\$ 17,485
Four County Joint Vocational School	<u>3,680</u>
Total Intergovernmental Receivables	<u><u>\$ 21,165</u></u>

**NOTE 7 – INSURANCE**

**Comprehensive**

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

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School District participates in 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. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual-covered salary and the School District is required to contribute 14 percent; 12 percent was the portion used to fund pension obligations. 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 contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$725,088, \$679,154, and \$654,528 respectively; 83.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$121,908 representing the unpaid contribution for fiscal year 1999, and is recorded as a liability within the respective funds.

**B. School Employees Retirement System**

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth Street, Columbus, Ohio 43215.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 9 percent of their annual-covered salary and the School District is required to contribute 14 percent; for fiscal year 1999, 10.5 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacies of the contribution rates are determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$139,123, \$118,802, and \$112,603 respectively; 27.2 percent has been contributed for fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$101,344 representing the unpaid contribution for fiscal year 1999, is recorded as a liability within the respective funds and the general long-term obligations account group.

**NOTE 9 – POST-EMPLOYMENT BENEFITS**

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio Law, the cost of coverage paid from STRS funds shall be included in the employers' contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. For the School District, this amount equaled \$ 103,584 during the 1999 fiscal year. As of July 1, 1998, eligible benefit recipients totaled 91,999. For the year ended June 30, 1998, net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and 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.

For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. 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 year 1999, the minimum pay has been established at \$12,400. For the School District, the amount to fund health care benefits, including surcharge, equaled \$57,123 during the 1999 fiscal year. The number of participants currently receiving health care benefits is 50,000. For the fiscal year ended June 30, 1998, net health care cost paid by SERS were \$111,900,575.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 10 – OTHER EMPLOYEE BENEFITS**

**Compensated Absences**

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operation employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. At June 30, 1999, a current liability of \$7,081 has been provided in the general fund for earned, but unused vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-third of the accumulated sick leave to a maximum payout of 47 days. At June 30, 1999, a current liability of \$2,926 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 \$604,441 for severance pay and sick leave payable at June 30, 1999, 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.

**NOTE 11 – LONG-TERM OBLIGATIONS**

**General Obligation Bonds**

Debt outstanding at June 30, 1999 consisted of the following:

	<u>School Improvement</u>	<u>Energy Conversation</u>
General Obligation Bond		
Principal Outstanding	\$13,169,837	\$320,000
Interest Rate	3.5 - 5.5%	3.9 - 6.1%

Outstanding general obligation bonds consist of school improvement 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 District. These bonds were issued in February 1997 and July 1992, respectively. These bonds will mature in December 2022 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 \$698,646 for the period ended June 30, 1999.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 11 – LONG-TERM OBLIGATIONS (Continued)**

**General Obligation Bonds (Continued)**

During the year ended June 30, 1999 the following changes occurred in obligations reported in the General Long-Term Obligations Account Group:

	Balance at 6/30/98	Additions	Reductions	Balance at 6/30/99
General obligation bonds	\$13,994,837		\$ 505,000	\$13,489,837
Employee benefit obligations	524,227	\$ 80,214		604,441
Due to other governments	62,874	1,987		64,861
Total	<u>\$14,581,938</u>	<u>\$ 82,201</u>	<u>\$ 505,000</u>	<u>\$14,159,139</u>

The scheduled payments of principal and interest on debt outstanding at June 30, 1999 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2000	\$ 525,000	\$ 677,899	\$ 1,202,589
2001	550,000	654,145	1,204,145
2002	570,000	628,878	1,198,875
2003	232,718	975,397	1,208,115
2004	137,119	988,251	1,125,370
2005 and thereafter	11,475,000	6,514,762	17,989,762
Total	<u>\$ 13,489,837</u>	<u>\$ 10,439,022</u>	<u>\$ 23,928,859</u>

**Advance Refunding**

In prior years, the 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 District's financial statements. On June 30, 1999, \$1,765,000 of bonds outstanding are considered defeased.

**NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The School District maintains two Enterprise Funds which provide lunchroom/cafeteria and uniform school supply services. Segment information for the year ended June 30, 1999 was as follows:

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 12 – SEGMENT INFORMATION FOR ENTERPRISE FUNDS (Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 406,104	\$ 59,505	\$ 465,609
Operating Income (Loss)	(146,989)	(4,467)	(151,456)
Operating Grants	114,077	---	114,077
Net Income (Loss)	(39,912)	(4,467)	(37,379)
Total Assets	64,109	4,065	68,174
Total Liabilities	26,875	---	26,875
Total Equity (deficit)	37,234	4,065	41,299
Net working capital	37,234	4,065	41,299

**NOTE 13 – JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Computer Association**

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

The NWOCA Assembly consists of a superintendent from each participating school district and a representative from the fiscal agent. The Assembly elects the Council. NWOCA is governed by a Council chosen from two representatives from each of the six 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 Joint Vocational School**

The Four County Joint Vocational School 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 Northwest Ohio Educational Service Center. The Four County Joint Vocational School possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Joint Vocational School, Michele Zeedyk, who serves as treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 14 – GROUP PURCHASING POOLS**

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

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

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

In fiscal year 1999 the Wauseon Exempted Village School District contributed a total for all four plans \$590, 888 which represented 4.2 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.

**NOTE 15 – STATE SCHOOL FUNDING DECISION**

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 1999, the School District received \$4,973,872 of school foundation support for its general fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of December 29, 1999, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

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

**NOTE 16 – RELATED ORGANIZATION**

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

**NOTE 17 – AGENCY FUNDS**

	Combined Statement of Changes in Assets and Liabilities			
	Balance at 7/1/98	Additions	Deductions	Balance at 6/30/98
Cash	\$ 71,150	\$ 172,254	\$ 186,775	\$ 56,629
Other liabilities	\$ 71,150	\$ 172,254	\$ 186,775	\$ 56,629

**NOTE 18 – TRANSFERS**

Transfers for the year ended June 30, 1998 consist of the following:

	Transfers In	Transfers Out
Debt Service Fund	\$ 90,610	
General Fund		\$ 90,610
Total transfers	\$ 90,610	\$ 90,610

**NOTE 19 – STATUTORY RESERVES**

The District is required by law to set aside certain general fund revenue amounts, as defined, into various reserves. During the fiscal year ended June 30, 1999, the reserve (cash-basis)

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS**  
**JUNE 30, 1999**  
**(Continued)**

**NOTE 19 – STATUTORY RESERVES (Continued)**

	Textbook	Capital	Budget Stabilization
<b><u>Determination of Fund Balance Reserve</u></b>			
Balance June 30, 1998			\$ 37,469
Current Year Set Aside Requirements	\$ 144,481	\$ 144,481	75,000
Bureau of Worker's Compensation Refund Received in Fiscal Year 1999			2,492
Current Year Offsets	(27,799)	(95,611)	114,961
Qualifying Expenditures (Paid in Cash)	(116,682)	(48,870)	
Total Restricted Assets	\$ 0	\$ 0	\$ 114,961

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

**NOTE 20 – YEAR 2000 ISSUE**

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the government's operations.

The Wauseon Exempted Village School District has completed an inventory of computer systems and other equipment necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits.

The District utilizes an external service organization, the Northwest Ohio Computer Association (NWOCA) for its accounting, budgetary, payroll and employee benefits systems. NWOCA reports that these systems have been validated and tested.

Fulton County collects property taxes for distribution to the District. The County is responsible for remediating its tax collection system.

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and non-financial information about the District through EMIS. The State is responsible for remediating these systems.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be year 2000 ready, the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

**NOTE 21- COMPLIANCE**

For the year ended June 30, 1999, expenditures exceeded appropriations in the Food Service Fund by \$51,293.



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**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b> <i>Passed through the State Department of Education</i>		
Nutrition Cluster:		
Food Distribution Program	10.550	
National School Lunch Program	10.555	
Total Department of Agriculture - Nutrition Cluster		
<b>UNITED STATES DEPARTMENT OF EDUCATION</b> <i>Passed through the State Department of Education</i>		
Title 1	84.010	C1-S1-98 C1-S1-99
Special Education Cluster:		
Title VI-B	84.027	6B-SF-98P
Preschool Grant	84.173	PG-S1-98P
Total Department of Education - Special Education Cluster		
Title VI	84.298	C2-S1-97 C2-S1-98 C2-S1-99
Total Title VI		
Title II - Eisenhower Professional Development State Grants	84.281	MS-S1-98 MS-S1-99 MS-S1-00
Total Title II		
Drug Free Schools Grant	84.186A	DR-S1-98 DR-S1-99
Total Drug Free Schools Grant		
Total Department of Education		
<b>TOTAL FEDERAL AWARDS EXPENDITURES</b>		

*The notes to the schedule of federal awards expenditures are an integral part of this schedule.*

Program or Award Amount	Cash Receipts	Non-cash Receipts	Cash Disbursements	Non-cash Disbursements
	\$ 93,614	\$ 49,346	\$ 93,614	\$ 51,326
	93,614	49,346	93,614	51,326
\$ 115,178			10,777	
115,143	115,143		108,261	
	115,143		119,038	
79,588	79,588		79,588	
7,605	7,605		7,605	
	87,193		87,193	
6,334			6,334	
7,400				
7,427	7,247			
	7,247		6,334	
5,947			527	
6,872			3,512	
7,096	7,096		7,096	
	7,096		11,135	
10,842			1,225	
10,029	10,029		8,787	
	10,029		10,012	
	226,708		233,712	
	<b>\$ 320,322</b>	<b>\$ 49,346</b>	<b>\$ 327,326</b>	<b>\$ 51,326</b>

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 1999**

**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, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO  
OFFICE OF THE AUDITOR

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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 general-purpose financial statements of Wauseon Exempted Village School District, Fulton County, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated December 29, 1999. Our report was qualified due to the District's failure to capitalize property, buildings, and equipment. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 1999-10126-001. We also noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated December 29, 1999.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 1999-10126-002.

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

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

**Jim Petro**  
Auditor of State

December 29, 1999



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

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

To the Board of Education:

**Compliance**

We have audited the compliance of Wauseon Exempted Village School District, Fulton County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 1999. 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 District's management. Our responsibility is to express an opinion on District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 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 District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

### **Internal Control Over Compliance**

The management of Wauseon Exempted Village School 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 District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

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

**Jim Petro**  
Auditor of State

December 29, 1999



**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 1999**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Qualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	<u>Nutrition Cluster:</u> Food Distribution, CFDA # 10.550 National School Lunch Program, CFDA # 10.555 Title One, CFDA # 84.010
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A\B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 1999-10126-001**

Ohio Revised Code § 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Food Service Fund expenditures plus year end encumbrances exceeded the available appropriations by the amount of \$51,293 (10% of the amount authorized). This was the result of appropriations modified by the Treasurer that had no specific Board approval, contrary to Ohio Revised Code § 5705.40. We recommend that a periodic review be performed by comparing expenditures to appropriations. Board action should be taken when it is determined that necessary expenditures will exceed currently approved appropriations.

**FINDING NUMBER 1999-10126-002**

**Property, Buildings, and Equipment**

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

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

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

**3. FINDINGS FOR FEDERAL AWARDS**

None.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT**

**FULTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 25, 2000**