

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

**BASIC FINANCIAL STATEMENTS  
(AUDITED)**

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2009***

**TODD CARPENTER, TREASURER**





Mary Taylor, CPA  
Auditor of State

Board of Education  
Waterloo Local School District  
1464 Industry Road  
Atwater, Ohio 44201

We have reviewed the *Independent Auditor's Report* of the Waterloo Local School District, Portage County, prepared by Julian & Grube, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Waterloo Local School District is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 19, 2009

**This Page is Intentionally Left Blank.**

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

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**TABLE OF CONTENTS**

Independent Auditor's Report .....	1- 2
Management's Discussion and Analysis .....	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	15
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds .....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) - General Fund .....	19
Statement of Fiduciary Net Assets - Fiduciary Funds .....	20
Notes to the Basic Financial Statements.....	21 - 47
Supplementary Data:	
Schedule of Receipts and Expenditures of Federal Awards .....	48
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	49 - 50
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i> .....	51 - 52
Schedule of Findings <i>OMB Circular A-133 § .505</i> .....	53

**This Page is Intentionally Left Blank.**



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

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

Independent Auditor's Report

Board of Education  
Waterloo Local School District  
1464 Industry Road  
Atwater, Ohio 44201

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterloo Local School District, Portage County, Ohio, as of and for the fiscal year ended June 30, 2009, which collectively comprise Waterloo Local School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Waterloo Local School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Waterloo Local School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2009, on our consideration of Waterloo Local School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Waterloo Local School District  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waterloo Local School District's basic financial statements. The accompanying schedule of receipts and expenditures of federal awards 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 basic financial statements. The schedule of receipts and expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." with a stylized flourish at the end.

Julian & Grube, Inc.  
October 28, 2009



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Waterloo Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$152,562 which represents a 1.32% decrease from 2008.
- General revenues accounted for \$10,612,867 in revenue or 83.63% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$2,077,275 or 16.37% of total revenues of \$12,690,142.
- The District had \$12,842,704 in expenses related to governmental activities; \$2,077,275 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$10,612,867 were not adequate to provide for these programs.
- The District's major governmental funds are the general fund, bond retirement fund and permanent improvement fund. The general fund had \$10,401,568 in revenues and \$10,522,002 in expenditures and other financing uses. During fiscal year 2009, the general fund's fund balance decreased \$121,596 from \$1,150,505 to \$1,028,909.
- The bond retirement fund had \$811,656 in revenues and \$773,705 in expenditures. During fiscal year 2009, the bond retirement fund's fund balance increased \$37,951 from \$583,154 to \$621,105.
- The permanent improvement fund had \$1,013,036 in revenues and other financing sources and \$40,540 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$972,496 from \$35,800 to \$1,008,296.

**Using these Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Reporting the District as a Whole**

***Statement of Net Assets and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the Governmental Activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, and intergovernmental operations.

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

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

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

***Governmental Funds***

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

***Reporting the District's Fiduciary Responsibilities***

The District acts in a trustee capacity as an agent for individuals or other entities. These activities are reported in agency funds. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 20. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 21-47 of this report.

**The District as a Whole**

Recall that the Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	<b>Net Assets</b>	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<b><u>Assets</u></b>		
Current and other assets	\$ 8,708,527	\$ 9,310,398
Capital assets, net	<u>17,046,679</u>	<u>17,602,056</u>
Total assets	<u>25,755,206</u>	<u>26,912,454</u>
<b><u>Liabilities</u></b>		
Current liabilities	4,940,396	5,509,023
Long-term liabilities	<u>9,440,981</u>	<u>9,877,040</u>
Total liabilities	<u>14,381,377</u>	<u>15,386,063</u>
<b><u>Net Assets</u></b>		
Invested in capital assets, net of related debt	8,630,753	8,752,104
Restricted	2,132,094	2,502,210
Unrestricted	<u>610,982</u>	<u>272,077</u>
Total net assets	<u>\$ 11,373,829</u>	<u>\$ 11,526,391</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's assets exceeded liabilities by \$11,373,829.

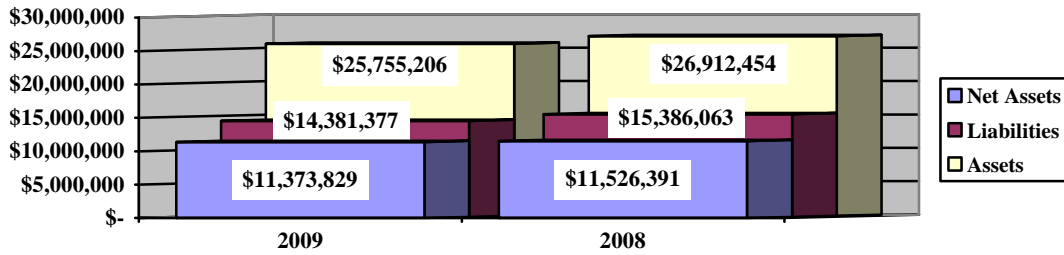
At year-end, capital assets represented 66.19% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$8,630,753. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,132,094, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets of \$610,982 may be used to meet the District's ongoing obligations to the students and creditors.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Governmental Activities**



The table below shows the change in net assets for fiscal year 2009 and 2008. The expenditure line item from 2008 intergovernmental pass-through has been reclassified to other non-instructional services to conform to the 2009 presentation.

**Change in Net Assets**

	Governmental Activities 2009	Governmental Activities 2008
<b><u>Revenues</u></b>		
Program revenues:		
Charges for services and sales	\$ 584,408	\$ 620,956
Operating grants and contributions	1,453,901	1,463,095
Capital grants and contributions	38,966	46,203
General revenues:		
Property taxes	4,209,039	4,058,369
Grants and entitlements	6,304,025	6,241,002
Investment earnings	37,823	146,477
Other	61,980	42,748
<b>Total revenues</b>	<b>12,690,142</b>	<b>12,618,850</b>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<b>Change in Net Assets</b>	
	Governmental Activities	Governmental Activities
	<u>2009</u>	<u>2008</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 5,576,354	\$ 5,625,029
Special	1,352,316	1,547,395
Vocational	56,901	46,880
Other	88,081	30,765
Support services:		
Pupil	433,689	402,614
Instructional staff	498,376	467,245
Board of education	25,636	29,211
Administration	896,357	911,963
Fiscal	344,157	331,055
Business	38,663	36,470
Operations and maintenance	1,222,628	1,204,545
Pupil transportation	1,023,649	1,048,639
Central	16,280	16,628
Food service operations	379,439	389,379
Operations of non-instructional services	84,713	90,749
Extracurricular activities	362,438	378,463
Interest and fiscal charges	<u>443,027</u>	<u>449,238</u>
Total expenses	<u>12,842,704</u>	<u>13,006,268</u>
Change in net assets	(152,562)	(387,418)
Net assets at beginning of year	<u>11,526,391</u>	<u>11,913,809</u>
Net assets at end of year	<u>\$ 11,373,829</u>	<u>\$ 11,526,391</u>

**Governmental Activities**

Net assets of the District's governmental activities decreased \$152,562. Total governmental expenses of \$12,842,704 were offset by program revenues of \$2,077,275 and general revenues of \$10,612,867. Program revenues supported 16.17% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and grants and entitlements. These revenue sources represent 82.84% of total governmental revenue.

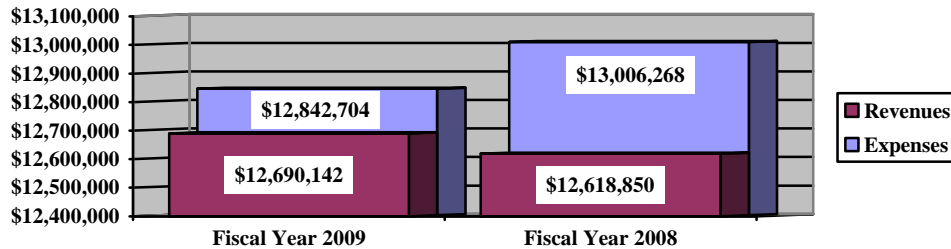
The largest expense of the District is for instructional programs. Instruction expenses totaled \$7,073,652 or 55.08% of total governmental expenses for fiscal 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenue and expenses for fiscal year 2009 and 2008.

**Governmental Activities - Revenues and Expenses**



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The expenditure line item from 2008 intergovernmental pass-through has been reclassified to other non-instructional services to conform to the 2009 presentation.

**Governmental Activities**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
<b>Program expenses</b>				
Instruction:				
Regular	\$ 5,576,354	\$ 5,274,334	\$ 5,625,029	\$ 5,268,534
Special	1,352,316	423,197	1,547,395	677,797
Vocational	56,901	45,603	46,880	35,648
Other	88,081	76,796	30,765	30,765
Support services:				
Pupil	433,689	380,101	402,614	274,354
Instructional staff	498,376	484,060	467,245	448,145
Board of education	25,636	25,636	29,211	29,211
Administration	896,357	831,546	911,963	847,973
Fiscal	344,157	343,086	331,055	330,393
Business	38,663	38,663	36,470	36,470
Operations and maintenance	1,222,628	1,190,173	1,204,545	1,172,967
Pupil transportation	1,023,649	929,503	1,048,639	987,737
Central	16,280	11,280	16,628	11,628
Food service operations	379,439	2,664	389,379	14,125
Operations of non-instructional services	84,713	(13,163)	90,749	(14,277)
Extracurricular activities	362,438	278,923	378,463	275,306
Interest and fiscal charges	443,027	443,027	449,238	449,238
<b>Total expenses</b>	<u>\$ 12,842,704</u>	<u>\$ 10,765,429</u>	<u>\$ 13,006,268</u>	<u>\$ 10,876,014</u>

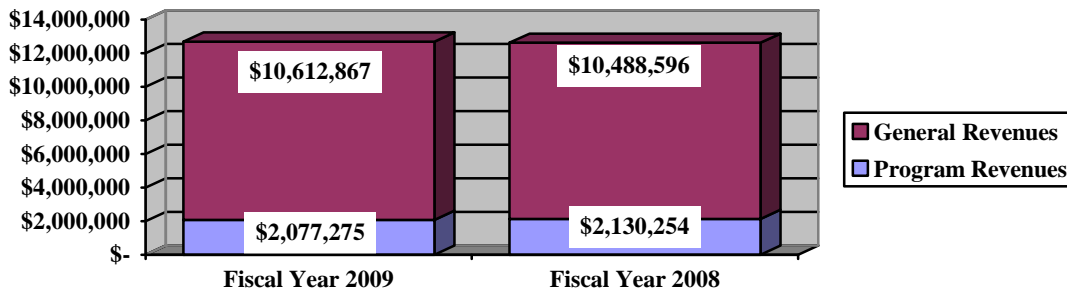
**WATERLOO LOCAL SCHOOL DISTRICT  
PORTAGE COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 82.28% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.83%. The District's taxpayers, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal year 2009 and 2008.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds reported a combined fund balance of \$3,378,624, which is lower than last year's total of \$3,450,539. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance	Fund Balance	Increase	Percentage
	June 30, 2008	June 30, 2008	(Decrease)	Change
General	\$ 1,028,909	\$ 1,150,505	\$ (121,596)	(10.57) %
Bond Retirement	621,105	583,154	37,951	6.51 %
Permanent Improvement	1,008,296	35,800	972,496	2,716.47 %
Other Governmental	720,314	1,681,080	(960,766)	(57.15) %
<b>Total</b>	<b>\$ 3,378,624</b>	<b>\$ 3,450,539</b>	<b>\$ (71,915)</b>	<b>(2.08) %</b>

**General Fund**

The District's general fund balance decreased \$121,596. The decrease in fund balance can be attributed to several items related to transfers to other funds and a decrease in the reserve for inventory. Expenditures exceed revenues by \$107,561. The table that follows assists in illustrating the financial activities and fund balance of the general fund. Earnings on investments decreased \$108,654 due to lower interest rates on the District's investments. Intergovernmental revenue increased \$95,700 due to the State reimbursement for tangible personal property taxes. Other revenues increased 26.73%, which while a large percentage is immaterial when looking at the dollar amount. All other revenues and expenditures were comparable to 2008 amounts.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 3,267,886	\$ 3,176,347	\$ 91,539	2.88 %
Tuition	194,214	199,754	(5,540)	(2.77) %
Earnings on investments	37,823	146,477	(108,654)	(74.18) %
Intergovernmental	6,794,425	6,698,725	95,700	1.43 %
Other revenues	<u>107,220</u>	<u>84,605</u>	<u>22,615</u>	26.73 %
Total	<u>\$ 10,401,568</u>	<u>\$ 10,305,908</u>	<u>\$ 95,660</u>	0.93 %
<b><u>Expenditures</u></b>				
Instruction	\$ 6,155,230	\$ 6,333,653	\$ (178,423)	(2.82) %
Support services	4,113,584	3,770,664	342,920	9.09 %
Extracurricular activities	216,050	218,101	(2,051)	(0.94) %
Facilities acquisition and construction	1,034	-	1,034	100.00 %
Debt service	<u>23,231</u>	<u>23,231</u>	<u>-</u>	- %
Total	<u>\$ 10,509,129</u>	<u>\$ 10,345,649</u>	<u>\$ 163,480</u>	1.58 %

***Bond Retirement Fund***

The bond retirement fund had \$811,656 in revenues and \$773,705 in expenditures. During fiscal year 2009 the bond retirement fund's fund balance increased \$37,951 from \$583,154 to \$621,105.

***Permanent Improvement Fund***

The permanent improvement fund had \$1,013,036 in revenues and other financing sources and \$40,540 in expenditures. During fiscal year 2009, the permanent improvement fund's fund balance increased \$972,496 from \$35,800 to \$1,008,296. The permanent improvement fund received \$996,845 as a transfer from the classroom facilities fund.

***General Fund Budgeting Highlights***

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

During the course of fiscal 2009, the District amended its general fund budget several times. For the general fund, original budgeted revenues and other financing sources were \$10,242,016 and final budgeted revenues and other financing sources were \$10,908,084. Actual revenues and other financing sources for fiscal 2009 was \$10,413,422. This represents a \$494,662 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures including other financing uses) of \$10,980,140 were increased to \$11,448,722 in the final appropriations. The actual budget basis expenditures and other financing uses for fiscal year 2009 were unchanged from the final appropriations.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**Capital Assets and Debt Administration**

*Capital Assets*

At the end of fiscal 2009, the District had \$17,046,679 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows fiscal 2009 balances compared to 2008:

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

	Governmental Activities	
	2009	2008
Land	\$ 299,298	\$ 299,298
Land improvements	500,188	549,751
Building and improvements	15,443,398	15,911,922
Furniture and equipment	470,204	562,042
Vehicles	333,591	279,043
Total	\$ 17,046,679	\$ 17,602,056

The overall decrease in capital assets of \$555,377 is due to depreciation expense of \$707,290 exceeding capital outlays of \$151,913 in the fiscal year.

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

*Debt Administration*

At June 30, 2009, the District had \$8,660,114 in general obligation bonds and \$15,043 in capital lease obligations outstanding. Of this total, \$445,043 is due within one year and \$8,230,114 is due within greater than one year. The following table summarizes the bonds and capital lease obligations outstanding.

**Outstanding Debt, at Year End**

	Governmental Activities	Governmental Activities
	2009	2008
General obligation bonds	\$ 8,660,114	\$ 8,977,046
Capital lease obligations	15,043	36,187
Total	\$ 8,675,157	\$ 9,013,233

See Note 10 to the basic financial statements for additional information on the District's debt administration.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**Current Financial Related Activities**

Currently, the District's Five Year Forecast shows a positive fund balance through fiscal year 2011. The District relies heavily upon grants, entitlements and property taxes. Since future grant and entitlement revenue is expected to decrease, the reliance upon local taxes is increasingly important. The District is in a situation where an operating levy may have to be passed by District voters in 2010 in order for the District to obtain the necessary funds to meet its future operating expenses. Without the passage of a new operating levy, the District will be facing many challenges in the future.

Since the District relies on the State for approximately 59% of general operating revenues, one of the largest challenges facing the District is that of state funding. State funding has always had an unpredictable past. Currently, the State's general fund is decreasing by approximately 8%. With a new funding methodology and the current economic environment, the District could face further State funding reductions in both fiscal years 2010 and 2011. If this does occur, it will have a drastic effect on the District's overall financial position.

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

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Todd Carpenter, Treasurer, Waterloo Local School District, 1464 Industry Road, Atwater, Ohio 44201.

BASIC  
FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS  
JUNE 30, 2009

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 4,358,918
Cash in segregated accounts. . . . .	5,925
Receivables:	
Taxes . . . . .	4,026,155
Accounts . . . . .	5,246
Intergovernmental . . . . .	174,127
Accrued interest . . . . .	1,092
Materials and supplies inventory . . . . .	26,430
Unamortized bond issue costs . . . . .	110,634
Capital assets:	
Land . . . . .	299,298
Depreciable capital assets, net . . . . .	16,747,381
Capital assets, net. . . . .	17,046,679
 Total assets. . . . .	 25,755,206
 <b>Liabilities:</b>	
Accounts payable. . . . .	20,506
Accrued wages and benefits . . . . .	958,547
Pension obligation payable. . . . .	250,239
Intergovernmental payable . . . . .	176,864
Unearned revenue . . . . .	3,470,167
Matured interest payable . . . . .	5,925
Accrued interest payable . . . . .	58,148
Long-term liabilities:	
Due within one year. . . . .	548,802
Due in more than one year . . . . .	8,892,179
Total liabilities . . . . .	14,381,377
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt. . . . .	8,520,119
Restricted for:	
Capital projects . . . . .	1,008,296
Debt service. . . . .	589,859
Classroom facilities maintenance . . . . .	393,337
State funded programs . . . . .	24,711
Federal funded programs . . . . .	75,558
Student activities . . . . .	13,805
Other purposes . . . . .	26,528
Unrestricted. . . . .	721,616
 Total net assets . . . . .	 \$ 11,373,829

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

		<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Assets</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	
<b>Governmental activities:</b>					
Instruction:					
Regular . . . . .	\$ 5,576,354	\$ 244,268	\$ 57,752	\$ -	\$ (5,274,334)
Special . . . . .	1,352,316	284	928,835	-	(423,197)
Vocational . . . . .	56,901	-	11,298	-	(45,603)
Other . . . . .	88,081	-	11,285	-	(76,796)
Support services:					
Pupil. . . . .	433,689	-	53,588	-	(380,101)
Instructional staff . . . . .	498,376	-	14,316	-	(484,060)
Board of education . . . . .	25,636	-	-	-	(25,636)
Administration. . . . .	896,357	52,602	12,209	-	(831,546)
Fiscal. . . . .	344,157	-	1,071	-	(343,086)
Business. . . . .	38,663	-	-	-	(38,663)
Operations and maintenance . . . . .	1,222,628	-	32,455	-	(1,190,173)
Pupil transportation. . . . .	1,023,649	-	55,180	38,966	(929,503)
Central . . . . .	16,280	-	5,000	-	(11,280)
Operation of non-instructional services:					
Food service operations . . . . .	379,439	205,451	171,324	-	(2,664)
Other non-instructional services . . . . .	84,713	-	97,876	-	13,163
Extracurricular activities. . . . .	362,438	81,803	1,712	-	(278,923)
Interest and fiscal charges . . . . .	443,027	-	-	-	(443,027)
Total governmental activities . . . . .	\$ 12,842,704	\$ 584,408	\$ 1,453,901	\$ 38,966	(10,765,429)
 <b>General Revenues:</b>					
Property taxes levied for:					
General purposes . . . . .					3,249,700
Special revenue . . . . .					243,309
Debt service. . . . .					716,030
Grants and entitlements not restricted					
to specific programs. . . . .					6,304,025
Investment earnings . . . . .					37,823
Miscellaneous . . . . .					61,980
					10,612,867
Total general revenues. . . . .					10,612,867
Change in net assets . . . . .					(152,562)
<b>Net assets at beginning of year. . . . .</b>					<b>11,526,391</b>
<b>Net assets at end of year . . . . .</b>					<b>\$ 11,373,829</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in pooled cash and cash equivalents . . . . .	\$ 2,001,175	\$ 551,052	\$ 1,007,778	\$ 783,385	\$ 4,343,390
Cash in segregated accounts . . . . .	-	5,925	-	-	5,925
Receivables:					
Taxes . . . . .	3,095,936	694,599	-	235,620	4,026,155
Accounts . . . . .	3,648	-	231	1,367	5,246
Intergovernmental . . . . .	-	-	-	174,127	174,127
Accrued interest . . . . .	701	-	287	104	1,092
Interfund receivable . . . . .	3,857	-	-	-	3,857
Materials and supplies inventory . . . . .	16,708	-	-	9,722	26,430
Restricted assets:					
Equity in pooled cash and cash equivalents . . . . .	15,528	-	-	-	15,528
<b>Total assets . . . . .</b>	<b>\$ 5,137,553</b>	<b>\$ 1,251,576</b>	<b>\$ 1,008,296</b>	<b>\$ 1,204,325</b>	<b>\$ 8,601,750</b>
<b>Liabilities:</b>					
Accounts payable . . . . .	\$ 18,673	\$ -	\$ -	\$ 1,833	\$ 20,506
Accrued wages and benefits . . . . .	874,222	-	-	84,325	958,547
Compensated absences payable . . . . .	25,650	-	-	-	25,650
Matured interest payable . . . . .	-	5,925	-	-	5,925
Pension obligation payable . . . . .	227,725	-	-	22,514	250,239
Intergovernmental payable . . . . .	168,220	-	-	8,644	176,864
Interfund payable . . . . .	-	-	-	3,857	3,857
Deferred revenue . . . . .	124,424	26,867	-	160,080	311,371
Unearned revenue . . . . .	2,669,730	597,679	-	202,758	3,470,167
<b>Total liabilities . . . . .</b>	<b>4,108,644</b>	<b>630,471</b>	<b>-</b>	<b>484,011</b>	<b>5,223,126</b>
<b>Fund Balances:</b>					
Reserved for encumbrances . . . . .	549,190	-	13,695	42,085	604,970
Reserved for materials and supplies inventory . . . . .	16,708	-	-	9,722	26,430
Reserved for property tax unavailable for appropriation . . . . .	301,782	70,053	-	23,735	395,570
Reserved for debt service . . . . .	-	551,052	-	-	551,052
Reserved for school bus purchases . . . . .	15,528	-	-	-	15,528
Unreserved, undesignated, reported in:					
General fund . . . . .	145,701	-	-	-	145,701
Special revenue funds . . . . .	-	-	-	644,772	644,772
Capital projects funds . . . . .	-	-	994,601	-	994,601
<b>Total fund balances . . . . .</b>	<b>1,028,909</b>	<b>621,105</b>	<b>1,008,296</b>	<b>720,314</b>	<b>3,378,624</b>
<b>Total liabilities and fund balances . . . . .</b>	<b>\$ 5,137,553</b>	<b>\$ 1,251,576</b>	<b>\$ 1,008,296</b>	<b>\$ 1,204,325</b>	<b>\$ 8,601,750</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2009

<b>Total governmental fund balances</b>		\$ 3,378,624
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		17,046,679
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes	\$ 160,418	
Intergovernmental revenue	150,953	
Total		311,371
Unamortized bond issuance costs are not recognized in the funds governmental activities in the statement of net assets.		110,634
Unamortized deferred charges on refundings are not recognized in the funds.		522,362
Unamortized premiums on bond issuance is not recognized in the funds.		(618,880)
Accrued interest payable is not due and payable in the current period and is therefore not reported in the funds.		(58,148)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	8,660,114	
Capital lease obligation	15,043	
Compensated absences	643,656	
Total		(9,318,813)
<b>Net assets of governmental activities</b>		<b>\$ 11,373,829</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
From local sources:					
Taxes . . . . .	\$ 3,267,886	\$ 713,240	\$ -	\$ 242,509	\$ 4,223,635
Tuition. . . . .	194,214	-	-	-	194,214
Earnings on investments. . . . .	37,823	-	11,093	6,722	55,638
Charges for services. . . . .	-	-	-	205,451	205,451
Extracurricular. . . . .	-	-	-	134,405	134,405
Classroom materials and fees. . . . .	50,338	-	-	-	50,338
Contributions and donations . . . . .	1,000	-	-	4,622	5,622
Contract services. . . . .	1,076	-	-	-	1,076
Other local revenues. . . . .	54,806	-	5,098	-	59,904
Intergovernmental - State. . . . .	6,794,425	98,416	-	182,059	7,074,900
Intergovernmental - Federal . . . . .	-	-	-	551,032	551,032
Total revenue . . . . .	<u>10,401,568</u>	<u>811,656</u>	<u>16,191</u>	<u>1,326,800</u>	<u>12,556,215</u>
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular . . . . .	5,057,284	-	-	228,314	5,285,598
Special. . . . .	959,876	-	-	358,568	1,318,444
Vocational. . . . .	57,007	-	-	-	57,007
Other. . . . .	81,063	-	-	7,018	88,081
Support services:					
Pupil. . . . .	375,262	-	-	48,433	423,695
Instructional staff . . . . .	453,143	-	-	14,270	467,413
Board of education . . . . .	25,636	-	-	-	25,636
Administration. . . . .	759,532	4,732	-	77,174	841,438
Fiscal . . . . .	319,419	11,690	-	3,986	335,095
Business . . . . .	25,853	-	-	-	25,853
Operations and maintenance. . . . .	1,117,194	-	-	50,899	1,168,093
Pupil transportation . . . . .	1,026,265	-	40,540	-	1,066,805
Central. . . . .	11,280	-	-	5,000	16,280
Food service operations . . . . .	-	-	-	326,963	326,963
Other non-instructional services. . . . .	-	-	-	85,368	85,368
Extracurricular activities. . . . .	216,050	-	-	96,623	312,673
Facilities acquisition and construction . . . . .	1,034	-	-	-	1,034
Debt service:					
Principal retirement . . . . .	21,144	415,000	-	-	436,144
Interest and fiscal charges . . . . .	2,087	342,283	-	-	344,370
Total expenditures . . . . .	<u>10,509,129</u>	<u>773,705</u>	<u>40,540</u>	<u>1,302,616</u>	<u>12,625,990</u>
Excess of revenues over (under) expenditures . . . . .	<u>(107,561)</u>	<u>37,951</u>	<u>(24,349)</u>	<u>24,184</u>	<u>(69,775)</u>
<b>Other financing sources (uses):</b>					
Transfers in. . . . .	-	-	996,845	12,873	1,009,718
Transfers (out) . . . . .	<u>(12,873)</u>	<u>-</u>	<u>-</u>	<u>(996,845)</u>	<u>(1,009,718)</u>
Total other financing sources (uses) . . . . .	<u>(12,873)</u>	<u>-</u>	<u>996,845</u>	<u>(983,972)</u>	<u>-</u>
Net change in fund balances . . . . .	(120,434)	37,951	972,496	(959,788)	(69,775)
<b>Fund balances at beginning of year. . . . .</b>	1,150,505	583,154	35,800	1,681,080	3,450,539
<b>Decrease in reserve for inventory. . . . .</b>	<u>(1,162)</u>	<u>-</u>	<u>-</u>	<u>(978)</u>	<u>(2,140)</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 1,028,909</u>	<u>\$ 621,105</u>	<u>\$ 1,008,296</u>	<u>\$ 720,314</u>	<u>\$ 3,378,624</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

<b>Net change in fund balances - total governmental funds</b>	\$	(69,775)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 151,913	
Depreciation expense	(707,290)	
Total		(555,377)
Governmental funds report expenditures for inventory when purchased. However, in the statement of activities, they are reported as an expense when consumed.		
		(2,140)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(14,596)	
Intergovernmental	148,523	
Total		133,927
Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets.		
		436,144
Governmental funds report expenditures for interest when it is due. In the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. The following resulted in additional interest being reported on the statement of activities:		
Decrease in accrued interest payable	1,529	
Accreted interest on "capital appreciation" bonds	(98,068)	
Amortization of bond issuance costs	(6,915)	
Amortization on bond premiums	38,680	
Amortization of deferred charge on refunding	(33,883)	
Total		(98,657)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
		3,316
<b>Change in net assets of governmental activities</b>	<b>\$</b>	<b>(152,562)</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
From local sources:				
Taxes . . . . .	\$ 3,055,277	\$ 3,253,971	\$ 3,106,409	\$ (147,562)
Tuition. . . . .	191,017	203,440	194,214	(9,226)
Earnings on investments. . . . .	46,294	49,305	47,069	(2,236)
Classroom materials and fees . . . . .	50,049	53,304	50,887	(2,417)
Other local revenues . . . . .	32,887	35,025	33,437	(1,588)
Intergovernmental - State . . . . .	6,788,715	7,230,203	6,902,327	(327,876)
Total revenue . . . . .	<u>10,164,239</u>	<u>10,825,248</u>	<u>10,334,343</u>	<u>(490,905)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	5,031,418	5,246,135	5,246,135	-
Special. . . . .	1,422,293	1,482,990	1,482,990	-
Vocational. . . . .	54,235	56,550	56,550	-
Other. . . . .	87,475	91,208	91,208	-
Support services:				
Pupil. . . . .	350,045	364,983	364,983	-
Instructional staff . . . . .	434,586	453,132	453,132	-
Board of education . . . . .	27,415	28,585	28,585	-
Administration. . . . .	781,052	814,384	814,384	-
Fiscal . . . . .	306,384	319,459	319,459	-
Business . . . . .	51,560	53,760	53,760	-
Operations and maintenance. . . . .	1,177,938	1,228,207	1,228,207	-
Pupil transportation . . . . .	1,017,003	1,060,404	1,060,404	-
Central. . . . .	10,791	11,252	11,252	-
Extracurricular activities. . . . .	208,432	217,327	217,327	-
Facilities acquisition and construction. . . . .	3,468	3,616	3,616	-
Total expenditures . . . . .	<u>10,964,095</u>	<u>11,431,992</u>	<u>11,431,992</u>	<u>-</u>
Excess of revenues under expenditures. . . . .	<u>(799,856)</u>	<u>(606,744)</u>	<u>(1,097,649)</u>	<u>(490,905)</u>
<b>Other financing sources (uses):</b>				
Transfers (out) . . . . .	(12,346)	(12,873)	(12,873)	-
Advances in. . . . .	56,862	60,560	57,814	(2,746)
Advances (out) . . . . .	(3,699)	(3,857)	(3,857)	-
Sale of capital assets. . . . .	20,074	21,380	20,410	(970)
Refund of prior year expenditure. . . . .	841	896	855	(41)
Total other financing sources (uses) . . . . .	<u>61,732</u>	<u>66,106</u>	<u>62,349</u>	<u>(3,757)</u>
Net change in fund balance . . . . .	(738,124)	(540,638)	(1,035,300)	(494,662)
<b>Fund balance at beginning of year. . . . .</b>	1,900,900	1,900,900	1,900,900	-
<b>Prior year encumbrances appropriated . . . . .</b>	583,410	583,410	583,410	-
<b>Fund balance at end of year . . . . .</b>	<u>\$ 1,746,186</u>	<u>\$ 1,943,672</u>	<u>\$ 1,449,010</u>	<u>\$ (494,662)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
JUNE 30, 2009

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 31,614
Total assets. . . . .	<u>\$ 31,614</u>
<b>Liabilities:</b>	
Due to students . . . . .	\$ 31,614
Total liabilities . . . . .	<u>\$ 31,614</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE INTENTIONALLY BLANK

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District ranks as the 406th largest by total enrollment among the 922 public school districts and community schools in the State. The District's enrollment as of June 30, 2009 was 1,297. The District employed 100 certified employees and 55 classified employees.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark Portage Area Computer Consortium

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

Financial information can be obtained from the Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

Portage Area School Consortium

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

*INSURANCE PURCHASING POOL*

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan") was established through the Ohio School Boards Association (OSBA) as a group purchasing pool.

**B. Fund Accounting**

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

*GOVERNMENTAL FUNDS*

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

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

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

*Permanent improvement fund* - A capital projects fund provided to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Revised Code.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for grants and other resources whose use is restricted to a particular purpose; and (c) food services operations.

*PROPRIETARY FUNDS*

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

**D. Basis of Accounting**

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue.

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

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

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

**E. Budgets**

The District is required by State statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable for fiscal year 2009 is as follows:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

2. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The budget figures, as shown in the accompanying budgetary statement, reflect the amounts set forth in the original and final amended certificates issued for fiscal year 2009.
3. By July 1, the annual appropriation resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. Although the legal level of budgetary control has been established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
4. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
6. Appropriations amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board prior to June 30, 2009, however, none of these amendments were significant. The budget figures, as shown in the accompanying budgetary statement, reflect the original and final appropriation amounts including all amendments and modifications.
7. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

**F. Cash and Investments**

To improve cash management, cash received by the District is pooled in several bank accounts. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2009, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio). Investments in STAR Ohio are reported at fair value, which is based on quoted market prices.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. By policy of the Board of Education, investment earnings are assigned to the general fund. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$37,823, which includes \$10,734 assigned from other funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

**G. Inventory**

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

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

**H. Capital Assets**

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. During fiscal year 2009, the District maintained a capitalization threshold of \$5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. The District does not possess infrastructure.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

**I. Interfund Balances**

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

**J. Compensated Absences**

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

In accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”, a liability for vacation leave is accrued if a) the employees’ rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination (severance) payments. A liability for sick leave is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at June 30, 2009, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any age with twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

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

Bond premiums are deferred and accreted over the term of the bonds. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refunds resulting in the defeasance of the debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the statement of net assets is presented in Note 10.

**L. Accrued Liabilities and Long-Term Obligations**

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

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

**M. Fund Balance Reserves**

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, property tax unavailable for appropriation, debt service, and school bus purchases. The reserve for property tax unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

**N. Net Assets**

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

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

**O. Estimates**

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

**P. Restricted Assets**

Restricted assets in the general fund represent cash and cash equivalents set-aside to establish a school bus purchase reserve. This reserve is required by state statute. A schedule of statutory reserves is presented in Note 16.

**Q. Interfund Activity**

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

**R. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Changes in Accounting Principles**

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56, "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Nonmajor governmental funds</u>	<u>Deficit</u>
SchoolNet professional development	\$ 19
IDEA part B grants	33,994
Title I disadvantaged children	21,244
Improving teacher quality	477

These funds complied with Ohio State law, which does not permit a cash basis deficit at year end. The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances are the result of adjustments for accrued liabilities.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio) investment pool;
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.



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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**A. Cash on Hand**

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

**B. Cash in Segregated Accounts**

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

**C. Deposits with Financial Institutions**

At June 30, 2009, the carrying amount of all District deposits was \$2,139,992. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, \$2,008,937 of the District's bank balance of \$2,200,373 was covered by the FDIC, while \$191,436 was exposed to custodial risk as discussed below.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Investments**

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity</u> 6 months or less
STAR Ohio	\$ 2,254,315	\$ 2,254,315

The weighted average maturity of investments is one day.

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 2,254,315	100.00%

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 2,139,992
Investments	2,254,315
Cash on hand	<u>2,150</u>
Total	<u>\$ 4,396,457</u>
<u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 4,364,843
Agency fund	<u>31,614</u>
Total	<u>\$ 4,396,457</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 5 - INTERFUND TRANSACTIONS**

- A. At June 30, 2009, interfund balances consisted of the following interfund loans receivable and payable, as reported in the fund financial statements:

<u>Interfund loans receivable reported in the general fund:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 3,857

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

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at June 30, 2009 are reported on the statement of net assets.

- B. For the fiscal year ended June 30, 2009, interfund transactions consisted of the following transfers out and in, as reported in the fund financial statements:

<u>Transfers out of the general fund and in to:</u>	<u>Amount</u>
Nonmajor governmental funds	\$ 12,873

<u>Transfers out of nonmajor governmental funds and in to:</u>	
Permanent improvement fund	996,845

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The \$996,845 transfer out of the classroom facilities capital projects fund (a nonmajor governmental fund) and into the permanent improvement fund represents interest remaining after the completion and close-out of the Ohio School Facilities Commission project. All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 6 - PROPERTY TAXES - (Continued)**

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Portage County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County as of June 30, 2009 are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$301,782 in the general fund, \$70,053 in the bond retirement debt service fund, \$17,921 in the emergency levy special revenue fund (a nonmajor governmental fund), and \$5,814 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$140,305 in the general fund, \$32,573 in the bond retirement debt service fund, \$8,350 in the emergency levy special revenue fund (a nonmajor governmental fund), and \$2,703 in the classroom facilities maintenance special revenue fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 154,168,440	94.75	\$ 155,294,080	95.94
Public utility personal	4,243,170	2.61	4,269,090	2.64
Tangible personal property	<u>4,287,076</u>	<u>2.64</u>	<u>2,305,659</u>	<u>1.42</u>
Total	<u>\$ 162,698,686</u>	<u>100.00</u>	<u>\$ 161,868,829</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
General operations		\$54.31		\$50.31
Bonded debt		4.72		4.73

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

<b><u>Governmental activities:</u></b>	<u>Amount</u>
Taxes	\$ 4,026,155
Accounts	5,246
Accrued interest	1,092
Intergovernmental	<u>174,127</u>
Total	<u>\$ 4,206,620</u>

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

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2009 was as follows:

	<u>Balance</u>			<u>Balance</u>
<b><u>Governmental activities:</u></b>	<u>06/30/08</u>	<u>Additions</u>	<u>Deletions</u>	<u>06/30/09</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 299,298	\$ -	\$ -	\$ 299,298
<i>Total capital assets, not being depreciated</i>	<u>299,298</u>	<u>-</u>	<u>-</u>	<u>299,298</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	882,232	-	-	882,232
Buildings and improvements	20,356,003	-	-	20,356,003
Equipment and furniture	1,538,909	6,848	-	1,545,757
Vehicles	1,164,428	145,065	(48,001)	1,261,492
<i>Total capital assets, being depreciated</i>	<u>23,941,572</u>	<u>151,913</u>	<u>(48,001)</u>	<u>24,045,484</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(332,481)	(49,563)	-	(382,044)
Buildings and improvements	(4,444,081)	(468,524)	-	(4,912,605)
Equipment and furniture	(976,867)	(98,686)	-	(1,075,553)
Vehicles	(885,385)	(90,517)	48,001	(927,901)
<i>Total accumulated depreciation</i>	<u>(6,638,814)</u>	<u>(707,290)</u>	<u>48,001</u>	<u>(7,298,103)</u>
Total capital assets, net	<u>\$ 17,602,056</u>	<u>\$ (555,377)</u>	<u>\$ -</u>	<u>\$ 17,046,679</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 301,544
Special	15,180
<u>Support services:</u>	
Pupil	9,792
Instructional staff	35,484
Administration	51,177
Fiscal	4,106
Business	12,810
Operations and maintenance	77,146
Pupil transportation	92,374
Extracurricular activities	56,613
Food service operations	<u>51,064</u>
Total depreciation expense	<u>\$ 707,290</u>

**NOTE 9 - CAPITAL LEASES - LESSEE DISCLOSURE**

During fiscal year 2005, the District entered into a lease agreement for copiers. This lease agreement meets the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for governmental funds. These expenditures are reported as function expenditures in the budgetary statements.

Capital assets consisting of copiers acquired by lease have been capitalized in the amount of \$95,846. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability is recorded in the government-wide financial statements. Accumulated depreciation as of June 30, 2009 was \$53,915, leaving a current net book value of \$41,931. Principal payments in fiscal year 2009 totaled \$21,144, paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2009:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2010	<u>\$ 15,489</u>
Total	15,489
Less: amount representing interest	<u>(446)</u>
Present value	<u>\$ 15,043</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS**

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations. Compensated absences will be paid out of the fund from which the employee is paid, primarily the general fund.

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>General obligation bonds:</u>					
Series 2001 construction:					
Current interest	\$ 1,435,000	\$ -	\$ (320,000)	\$ 1,115,000	\$ 335,000
Series 2006 refunding:					
Current interest	7,230,000	-	(95,000)	7,135,000	95,000
Capital appreciation	164,999	-	-	164,999	-
Accreted interest	147,047	98,068	-	245,115	-
<u>Other long-term obligations:</u>					
Capital lease obligation	36,187	-	(21,144)	15,043	15,043
Compensated absences	<u>762,492</u>	<u>103,174</u>	<u>(196,360)</u>	<u>669,306</u>	<u>103,759</u>
Total	<u>\$ 9,775,725</u>	<u>\$ 201,242</u>	<u>\$ (632,504)</u>	9,344,463	<u>\$ 548,802</u>
Less: Unamortized deferred charge on refunding				(522,362)	
Add: Unamortized premium on refunding				<u>618,880</u>	
Total on statement of net assets				<u>\$ 9,440,981</u>	

**B. General Obligation Bonds - Series 2001 Construction**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

This issue is comprised of both current interest bonds, par value \$10,345,000, and capital appreciation bonds, par value \$695,000. The interest rates on the current interest bonds range from 3.45% to 5.875%. The capital appreciation bonds matured on December 1, 2006 (effective interest 4.55%) and December 1, 2007 (effective interest 4.65%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

During fiscal year 2006, the District refunded the callable portion (\$7,645,000) of the current interest bonds. None of the capital appreciation bonds were refunded. Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2011.

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

Fiscal Year Ending June 30.	Current Interest Bonds		
	Principal	Interest	Total
2010	\$ 335,000	\$ 449,183	\$ 784,183
2011	380,000	433,282	813,282
2012	<u>400,000</u>	<u>415,732</u>	<u>815,732</u>
Total	<u>\$ 1,115,000</u>	<u>\$ 1,298,197</u>	<u>\$ 2,413,197</u>

**C. General Obligation Bonds - Series 2006 Refunding**

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

The refunding issue is comprised of both current interest bonds, par value \$7,480,000, and capital appreciation bonds, par value \$164,999. The capital appreciation bonds mature December 1, 2012 and December 1, 2013 at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The present value (as of issue date) reported in the statement of net assets at June 30, 2009 was \$164,999. Total accreted interest of \$245,115 has been included in the statement of net assets.

The reacquisition price exceeded the net carrying amount of the old debt by \$635,305. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next nineteen years by \$509,031 resulting in an economic gain of \$366,308.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 95,000	\$ 282,238	\$ 377,238	\$ -	\$ -	\$ -
2011	100,000	278,825	378,825	-	-	-
2012	105,000	275,238	380,238	-	-	-
2013	-	273,400	273,400	94,046	500,954	595,000
2014	-	273,400	273,400	70,953	519,047	590,000
2015 - 2019	2,785,000	1,095,700	3,880,700	-	-	-
2020 - 2024	3,315,000	487,300	3,802,300	-	-	-
2025	735,000	14,700	749,700	-	-	-
Total	<u>\$ 7,135,000</u>	<u>\$ 2,980,801</u>	<u>\$ 10,115,801</u>	<u>\$ 164,999</u>	<u>\$ 1,020,001</u>	<u>\$ 1,185,000</u>

**D. Legal Debt Margins**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District.

The assessed valuation used in determining the District's legal debt margins has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculations excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations.

The effects of these debt limitations at June 30, 2009 are a legal voted debt margin of \$6,182,573 (including available funds of \$621,105), a legal unvoted debt margin of \$155,294, and a legal energy conservation debt margin of \$1,397,647.

**NOTE 11 - RISK MANAGEMENT**

**A. Comprehensive**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 11 - RISK MANAGEMENT - (Continued)**

**B. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (the "Plan"), an insurance purchasing pool (see Note 2.A). The Plan's business and affairs are conducted by a three-member board of directors consisting of the President, the President-Elect, and the Immediate Past President of the Ohio School Boards Association. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participating school districts pay an enrollment fee to the Plan to cover the costs of administering the Plan.

The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the Plan. Each participant pays its workers' compensation premium to the state based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to school districts that can meet the Plan's selection criteria. The firm of Sheakley UniService, Inc. provides administrative, cost control and actuarial services to the Plan. Each year, the District pays an enrollment fee to the Plan to cover the costs of administering the Plan.

**NOTE 12 - PENSION PLANS**

**A. School Employees Retirement System**

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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 Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008, and 2007, were \$130,466, \$129,344, and \$137,405, respectively; 45.87 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 12 - PENSION PLANS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008, and 2007, were \$663,750, \$643,178, and \$642,710, respectively; 84.08 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$3,530 made by the District and \$10,621 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007, were \$87,318, \$86,377, and \$72,457, respectively; 45.87 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007, were \$10,765, \$9,320, and \$9,344, respectively; 45.87 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 13 - POSTEMPLOYMENT BENEFITS - (Continued)**

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007, were \$51,058, \$49,475, and \$49,439, respectively; 84.08 percent has been contributed for fiscal year 2009, and 100 percent for fiscal years 2008 and 2007.

**NOTE 14 - BUDGETARY BASIS OF ACCOUNTING**

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis).

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (1,035,300)
Net adjustment for revenue accruals	67,225
Net adjustment for expenditure accruals	355,170
Net adjustment for other financing sources/uses	(75,222)
Encumbrances	<u>567,693</u>
GAAP basis	<u>\$ (120,434)</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

**NOTE 15 - CONTINGENCIES**

**A. Grants**

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

**B. Litigation**

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

**NOTE 16 - STATUTORY RESERVES**

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2009, the reserve activity was as follows:

	<u>Instructional Materials</u>	<u>Capital Maintenance</u>	<u>School Bus Purchases</u>	<u>Budget Stabilization</u>
Set-aside balance at June 30, 2008	\$ (62,501)	\$ (29,875)	\$ 15,062	\$ 511,677
Current year set-aside requirement	202,053	202,053	15,528	-
Current year offsets	-	(875,028)	-	-
Current year qualifying expenditures	<u>(180,165)</u>	<u>(140,110)</u>	<u>(15,062)</u>	<u>-</u>
Total	<u>\$ (40,613)</u>	<u>\$ (842,960)</u>	<u>\$ 15,528</u>	<u>\$ 511,677</u>
Balance carried forward to FY2010	<u>\$ (40,613)</u>	<u>\$ -</u>	<u>\$ 15,528</u>	<u>\$ 511,677</u>

The District had qualifying expenditures during the year that reduced the set-aside amount to below zero for the instructional materials reserve. This negative amount may be used to reduce the set-aside requirement for future years, and is therefore presented as being carried forward to the next fiscal year.

The District had qualifying expenditures and offsets during the year that reduced the set-aside amount to below zero for the capital maintenance reserve. This negative amount may not be used to reduce the set-aside requirement for future years, and is therefore not presented as being carried forward to the next fiscal year.

In prior fiscal years, the District passed a resolution in order to continue budget stabilization, maintaining the budget stabilization portion of the general fund balance in a separate special cost center, and reported a fund balance designation for budget stabilization in the general fund for the basic financial statements. The District still maintains this process, but for fiscal year 2009, reporting the fund balance designation for budget stabilization would have caused the unreserved, undesignated fund balance in the general fund to be negative. Therefore, the District has not reported a fund balance designation for budget stabilization in the general fund for fiscal year 2009. The District will report a fund balance designation for budget stabilization in future reporting periods if the unreserved, undesignated fund balance in the general fund is sufficient.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

**NOTE 16 - STATUTORY RESERVES - (Continued)**

A schedule of the governmental fund restricted assets at June 30, 2009 follows:

Amount restricted for school bus purchases	<u>\$ 15,528</u>
Total restricted assets	<u><u>\$ 15,528</u></u>

**NOTE 17 - SIGNIFICANT SUBSEQUENT EVENT**

Subsequent to the fiscal year ended June 30, 2009, the District entered into an agreement for a H.B. 264 energy conservation project in the amount of \$1,307,000 and issued energy conservation notes. The notes were issued on August 6, 2009, have a final maturity of December 1, 2024, and carry an interest rate of 3.85%. Proceeds from the issuance of these notes were placed in the building fund capital projects fund (a nonmajor governmental fund). The debt service for these notes consists of annual principal and interest payments in varying amounts.

## **SUPPLEMENTARY DATA**



**WATERLOO LOCAL SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
<b>Nutrition Cluster:</b>				
(D)(E) School Breakfast Program	10.553	2009	\$ 11,524	\$ 11,524
<b>Total School Breakfast Program</b>			<u>11,524</u>	<u>11,524</u>
(D)(E) National School Lunch Program	10.555	2009	111,694	111,694
(C)(E) National School Lunch Program - Donated Commodities	10.555	2009	20,979	20,979
<b>Total National School Lunch Program</b>			<u>132,673</u>	<u>132,673</u>
<b>Total Nutrition Cluster</b>			<u>144,197</u>	<u>144,197</u>
<b>Total U.S. Department of Agriculture</b>			<u>144,197</u>	<u>144,197</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(G) Title I Grants to Local Educational Agencies	84.010	2008	12,686	22,294
(G) Title I Grants to Local Educational Agencies	84.010	2009	121,732	119,555
<b>Total Title I Grants to Local Educational Agencies</b>			<u>134,418</u>	<u>141,849</u>
<b>Special Education Cluster:</b>				
(F)(G) Special Education_Grants to States	84.027	2008	122,774	103,344
(F)(G) Special Education_Grants to States	84.027	2009	196,260	203,580
<b>Total Special Education _Grants to States</b>			<u>319,034</u>	<u>306,924</u>
(F) Special Education_Preschool Grants	84.173	2009	3,075	3,075
<b>Total Special Education_Preschool Grants</b>			<u>3,075</u>	<u>3,075</u>
<b>Total Special Education Cluster</b>			<u>322,109</u>	<u>309,999</u>
(G) Safe and Drug-Free Schools and Communities_State Grants	84.186	2008	(55)	2,519
(G) Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	1,478	4,070
<b>Total Safe and Drug-Free Schools and Communities_State Grant</b>			<u>1,423</u>	<u>6,589</u>
(G) State Grants for Innovative Programs	84.298	2008	(181)	1,329
(G) State Grants for Innovative Programs	84.298	2009	1,116	1,297
<b>Total State Grants for Innovative Programs</b>			<u>935</u>	<u>2,626</u>
Education Technology State Grants	84.318	2008	250	-
Education Technology State Grants	84.318	2009	-	1,320
<b>Total Education Technology State Grants</b>			<u>250</u>	<u>1,320</u>
Improving Teacher Quality State Grants	84.367	2009	60,001	60,001
<b>Total Improving Teacher Quality State Grants</b>			<u>60,001</u>	<u>60,001</u>
<b>Total U.S. Department of Education</b>			<u>519,136</u>	<u>522,384</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 663,333</u>	<u>\$ 666,581</u>

- (A) OAKS did not assign pass through numbers for fiscal year 2009.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are valued at entitlement value.
- (D) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
- (E) Included as part of "Nutrition Grant Cluster" in determining major programs.
- (F) Included as part of "Special Education Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District may transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2009, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers In	Transfers Out
Special Education_Grants to States	84.027	2008		\$ 11,206
Special Education_Grants to States	84.027	2009	\$ 11,206	
Title I Grants to Local Educational Agencies	84.010	2008		\$ 819
Title I Grants to Local Educational Agencies	84.010	2009	\$ 819	
Safe and Drug-Free Schools and Communities_State Grants	84.186	2008		\$ 55
Safe and Drug-Free Schools and Communities_State Grants	84.186	2009	\$ 55	
State Grants for Innovative Programs	84.298	2008		\$ 181
State Grants for Innovative Programs	84.298	2009	\$ 181	
<b>Totals</b>			<u>\$ 12,261</u>	<u>\$ 12,261</u>



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

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

**Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

Board of Education  
Waterloo Local School District  
1464 Industry Road  
Atwater, Ohio 44201

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Waterloo Local School District as of and for the fiscal year ended June 30, 2009, which collectively comprise Waterloo Local School District's basic financial statements and have issued our report thereon dated October 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waterloo Local School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Waterloo Local School District's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Waterloo Local School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waterloo Local School District's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Waterloo Local School District's financial statements that is more than inconsequential will not be prevented or detected by Waterloo Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Waterloo Local School District's internal control.

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

Board of Education  
Waterloo Local School District

Compliance and Other Matters

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

This report is intended solely for the information and use of the management and Board of Education of Waterloo Local School District 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.

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

Julian & Grube, Inc.  
October 28, 2009



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

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

**Report on Compliance With Requirements Applicable to Each  
Major Program and on Internal Control Over Compliance  
in Accordance With OMB Circular A-133**

Board of Education  
Waterloo Local School District  
1464 Industry Road  
Atwater, Ohio 44201

Compliance

We have audited the compliance of Waterloo Local School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the fiscal year ended June 30, 2009. Waterloo Local School 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 are the responsibility of Waterloo Local School District's management. Our responsibility is to express an opinion on Waterloo Local School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waterloo Local School 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 Waterloo Local School District's compliance with those requirements.

In our opinion, Waterloo Local School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2009.

Internal Control Over Compliance

The management of Waterloo Local 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 Waterloo Local School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waterloo Local School District's internal control over compliance.

Board of Education  
Waterloo Local School District

A control deficiency in Waterloo Local School District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Waterloo Local School District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Waterloo Local School District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Waterloo Local School District's internal control.

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

This report is intended for the information and use of management and Board of Education of Waterloo Local School District 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.

A handwritten signature in cursive script that reads "Julian & Grube, Inc." The signature is written in dark ink and is positioned above the printed name of the firm.

Julian & Grube, Inc.  
October 28, 2009

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

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2009**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Special Education Grant Cluster: Special Education - Grants to States (CFDA #84.027) and Special Education - Preschool Grants (CFDA #84.173); Improving Teacher Quality State Grants (CFDA #84.367)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



## **Julian & Grube, Inc.**

*Serving Ohio Local Governments*

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

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

Board of Education  
Waterloo Local School District  
1464 Industry Road  
Atwater, Ohio 44201

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on October 11, 2007.
2. We read the policy, noting it included the following requirements from Ohio Revised Code Section 3313.666(B):
  - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
  - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Revised Code Section 3313.666;
  - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

This report is intended solely for the information and use of the Board of Education of Waterloo Local School District and is not intended to be and should not be used by anyone other than this specified party.



Julian & Grube, Inc.  
October 28, 2009





Mary Taylor, CPA  
Auditor of State

**WATERLOO LOCAL SCHOOL DISTRICT**  
**PORTAGE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED**  
**DECEMBER 8, 2009**