

WATERLOO LOCAL SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Education
Waterloo Local School District
Atwater, Ohio

We have reviewed the Independent Auditor's Report of the Waterloo School District, Portage County, prepared by Gary B. Fink & Associates, Inc., for the audit period July 1, 1999 to June 30, 2000. 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.

JIM PETRO
Auditor of State

February 28, 2001

**WATERLOO LOCAL SCHOOL DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT

GENERAL PURPOSE FINANCIAL STATEMENTS

| | |
|---|-----------|
| Combined Balance Sheet – All Fund Types and Account Groups | Exhibit 1 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Fund Types | Exhibit 2 |
| Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types | Exhibit 3 |
| Statement of Revenues, Expenses and Changes in Retained Earnings/ Fund Equity - Proprietary Fund Type | Exhibit 4 |
| Statement of Cash Flows – Proprietary Fund Type | Exhibit 5 |
| Notes to the General Purpose Financial Statements | 1 |
| Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30 |
| 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> | 32 |
| Schedule of Expenditures of Federal Awards | 34 |
| Notes to the Schedule of Expenditures of Federal Awards | 35 |
| Schedule of Findings and Questioned Costs | 36 |
| Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations | 38 |

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of the Waterloo Local School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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


In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Waterloo Local School District, as of June 30, 2000 and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

INDEPENDENT AUDITOR'S REPORT (continued)

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

February 13, 2001



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

GENERAL PURPOSE FINANCIAL STATEMENTS

WATERLOO LOCAL SCHOOL DISTRICT
 PORTAGE COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|--------------------------|------------------------|----------------------------|-------------------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Agency | General Fixed Assets | General Long-Term Obligations | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| ASSETS: | | | | | | | | | |
| Equity in pooled cash and cash equivalents | \$1,716,118 | \$176,241 | \$1,954 | \$251,793 | \$108,544 | \$25,116 | | | \$2,279,766 |
| Cash with fiscal agent | | | 5,925 | | | | | | 5,925 |
| Receivables (net of allowances of uncollectibles): | | | | | | | | | |
| Property taxes - current and delinquent | 2,900,162 | 199,724 | 2,468 | 195,797 | | | | | 3,298,151 |
| Accounts | 422 | 443 | | 132 | | | | | 997 |
| Accrued interest. | 12,620 | 136 | | | 814 | | | | 13,570 |
| Interfund loan receivable | 98,452 | | | | | | | | 98,452 |
| Due from other governments | 700 | 11,719 | | | 11,957 | | | | 24,376 |
| Materials and supplies inventory | 18,693 | | | | 8,184 | | | | 26,877 |
| Restricted assets: | | | | | | | | | |
| Equity in pooled cash and cash equivalents | 150,724 | | | | | | | | 150,724 |
| Property, plant and equipment (net of accumulated depreciation where applicable) | | | | | 29,657 | | \$7,950,405 | | 7,980,062 |
| OTHER DEBITS: | | | | | | | | | |
| Amount available in debt service fund. . . | | | | | | | | \$1,954 | 1,954 |
| Amount to be provided for retirement of general long-term obligations | | | | | | | | 862,250 | 862,250 |
| Total assets and other debits | <u>\$4,897,891</u> | <u>\$388,263</u> | <u>\$10,347</u> | <u>\$447,722</u> | <u>\$159,156</u> | <u>\$25,116</u> | <u>\$7,950,405</u> | <u>\$864,204</u> | <u>\$14,743,104</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2000

| | Governmental Fund Types | | | | Proprietary Fund Type | Fiduciary Fund Type | Account Groups | | Total (Memorandum Only) |
|---|-------------------------|--------------------|-----------------|---------------------|--------------------------|------------------------|----------------------------|-------------------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Agency | General Fixed Assets | General Long-Term Obligations | |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | |
| LIABILITIES: | | | | | | | | | |
| Accounts payable | \$43,125 | \$3,370 | | \$186 | \$403 | | | | \$47,084 |
| Accrued wages and benefits | 668,936 | 44,657 | | | 19,477 | | | | 733,070 |
| Compensated absences payable | 58,274 | | | | 18,066 | | \$662,024 | | 738,364 |
| Pension obligation payable | 110,178 | 5,238 | | | 8,250 | | 68,959 | | 192,625 |
| Due to other governments | 43,007 | 184 | | | | | | | 43,191 |
| Matured interest payable | | | \$5,925 | | | | | | 5,925 |
| Deferred revenue | 2,777,527 | 190,550 | 2,468 | 188,060 | 6,324 | | | | 3,164,929 |
| Due to students | | | | | | \$25,116 | | | 25,116 |
| Interfund loan payable | | 73,916 | | 24,536 | | | | | 98,452 |
| Energy conservation bonds payable | | | | | | | 92,803 | | 92,803 |
| Obligation under capital lease | | | | | | | 40,418 | | 40,418 |
| Total liabilities | 3,701,047 | 317,915 | 8,393 | 212,782 | 52,520 | 25,116 | | 864,204 | 5,181,977 |
| EQUITY AND OTHER CREDITS: | | | | | | | | | |
| Investment in general fixed assets | | | | | | | \$7,950,405 | | 7,950,405 |
| Contributed capital | | | | | 15,962 | | | | 15,962 |
| Retained earnings: unreserved | | | | | 90,674 | | | | 90,674 |
| Fund balances: | | | | | | | | | |
| Reserved for encumbrances | 308,297 | 97,609 | | 220,370 | | | | | 626,276 |
| Reserved for supplies inventory | 18,693 | | | | | | | | 18,693 |
| Reserved for debt service | | | 1,954 | | | | | | 1,954 |
| Reserved for tax revenue unavailable for appropriation | 122,635 | 9,174 | | 7,737 | | | | | 139,546 |
| Reserved for budget stabilization | 150,724 | | | | | | | | 150,724 |
| Unreserved-undesignated (deficit) | 596,495 | (36,435) | | 6,833 | | | | | 566,893 |
| Total equity and other credits | 1,196,844 | 70,348 | 1,954 | 234,940 | 106,636 | | 7,950,405 | | 9,561,127 |
| Total liabilities, equity and other credits | \$4,897,891 | \$388,263 | \$10,347 | \$447,722 | \$159,156 | \$25,116 | \$7,950,405 | \$864,204 | \$14,743,104 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATERLOO LOCAL SCHOOL DISTRICT
PORTAGE COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

| | Governmental Fund Types | | | | Total (Memorandum Only) |
|--|-------------------------|--------------------|-----------------|---------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | |
| Revenues: | | | | | |
| From local sources: | | | | | |
| Taxes | \$2,630,614 | \$171,126 | \$21,114 | \$160,099 | \$2,982,953 |
| Earnings on investments | 134,141 | 1,194 | | | 135,335 |
| Extracurricular | | 175,884 | | | 175,884 |
| Other local revenues | 44,915 | 18,602 | | 2,086 | 65,603 |
| Intergovernmental - State | 4,547,349 | 132,322 | | 29,572 | 4,709,243 |
| Intergovernmental - Federal | | 311,274 | | | 311,274 |
| Total revenue | 7,357,019 | 810,402 | 21,114 | 191,757 | 8,380,292 |
| Expenditures: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | 3,453,937 | 232,614 | | 36,395 | 3,722,946 |
| Special | 561,074 | 200,339 | | | 761,413 |
| Vocational | 102,741 | | | | 102,741 |
| Support services: | | | | | |
| Pupil | 341,109 | 46,660 | | | 387,769 |
| Instructional staff | 330,896 | 17,486 | | | 348,382 |
| Board of Education | 16,247 | | | | 16,247 |
| Administration | 631,105 | 71,766 | | 400 | 703,271 |
| Fiscal | 218,566 | 2,959 | | 2,809 | 224,334 |
| Business | 41,959 | | | | 41,959 |
| Operations and maintenance | 726,718 | 1,469 | | | 728,187 |
| Pupil transportation | 825,229 | | | 9,575 | 834,804 |
| Central | 17,061 | 4,995 | | | 22,056 |
| Community services | | 13,493 | | | 13,493 |
| Extracurricular activities | 121,380 | 139,852 | | 1,836 | 263,068 |
| Capital Outlay | 1,210 | | | 231,711 | 232,921 |
| Intergovernmental pass-through | | 91,866 | | | 91,866 |
| Debt service: | | | | | |
| Principal retirement | 13,323 | | 15,925 | | 29,248 |
| Interest and fiscal charges | 3,333 | | 5,180 | | 8,513 |
| Total expenditures | 7,405,888 | 823,499 | 21,105 | 282,726 | 8,533,218 |
| Excess (deficiency) of revenues over (under) expenditures | (48,869) | (13,097) | 9 | (90,969) | (152,926) |
| Other financing sources (uses): | | | | | |
| Operating transfers in | | 18,399 | | 2,590 | 20,989 |
| Operating transfers out | (20,989) | | | | (20,989) |
| Proceeds from sale of assets | 1,680 | | | | 1,680 |
| Total other financing sources (uses) | (19,309) | 18,399 | | 2,590 | 1,680 |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | (68,178) | 5,302 | 9 | (88,379) | (151,246) |
| Fund balances, July 1 | 1,256,387 | 65,046 | 1,945 | 323,319 | 1,646,697 |
| Increase in reserve for inventory | 8,635 | | | | 8,635 |
| Fund balances, June 30 | \$1,196,844 | \$70,348 | \$1,954 | \$234,940 | \$1,504,086 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATERLOO LOCAL SCHOOL DISTRICT
 PORTAGE COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

| | General | | | Special Revenue | | | Debt Service | | | Capital Projects | | | Total (Memorandum Only) | | |
|--|--------------------|--------------------|-----------------------------------|-----------------|-----------------|-----------------------------------|----------------|----------------|-----------------------------------|------------------|------------------|-----------------------------------|-------------------------|--------------------|-----------------------------------|
| | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Revised Budget | Actual | Variance: Favorable (Unfavorable) | Budget Revised | Actual | Variance: Favorable (Unfavorable) | Budget Revised | Actual | Variance: Favorable (Unfavorable) | Budget Revised | Actual | Variance: Favorable (Unfavorable) |
| Revenues: | | | | | | | | | | | | | | | |
| From local sources: | | | | | | | | | | | | | | | |
| Taxes | \$2,830,787 | \$2,830,787 | \$0 | \$187,270 | \$187,270 | \$0 | \$21,114 | \$21,114 | \$0 | \$172,679 | \$172,679 | \$0 | \$3,211,850 | \$3,211,850 | \$0 |
| Earnings on investments | 130,811 | 130,811 | 0 | 1,156 | 1,156 | 0 | | | | | | | 131,967 | 131,967 | 0 |
| Extracurricular | | | | 175,585 | 175,585 | 0 | | | | | | | 175,585 | 175,585 | 0 |
| Other local revenues | 45,016 | 45,016 | 0 | 18,602 | 18,602 | 0 | | | | 2,295 | 2,295 | 0 | 65,913 | 65,913 | 0 |
| Intergovernmental - State | 4,549,499 | 4,549,499 | 0 | 132,323 | 132,323 | 0 | | | | 29,572 | 29,572 | 0 | 4,711,394 | 4,711,394 | 0 |
| Intergovernmental - Federal | | | | 341,086 | 341,086 | 0 | | | | | | | 341,086 | 341,086 | 0 |
| Total revenues | <u>7,556,113</u> | <u>7,556,113</u> | <u>0</u> | <u>856,022</u> | <u>856,022</u> | <u>0</u> | <u>21,114</u> | <u>21,114</u> | <u>0</u> | <u>204,546</u> | <u>204,546</u> | <u>0</u> | <u>8,637,795</u> | <u>8,637,795</u> | <u>0</u> |
| Expenditures: | | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | | |
| Instruction: | | | | | | | | | | | | | | | |
| Regular | 3,497,764 | 3,497,764 | 0 | 240,975 | 240,975 | 0 | | | | 43,576 | 43,576 | 0 | 3,782,315 | 3,782,315 | 0 |
| Special | 643,860 | 643,860 | 0 | 195,852 | 195,852 | 0 | | | | | | | 839,712 | 839,712 | 0 |
| Vocational | 102,459 | 102,459 | 0 | | | | | | | | | | 102,459 | 102,459 | 0 |
| Support services: | | | | | | | | | | | | | | | |
| Pupil | 333,483 | 333,483 | 0 | 49,232 | 49,232 | 0 | | | | | | | 382,715 | 382,715 | 0 |
| Instructional staff | 366,066 | 366,066 | 0 | 17,503 | 17,503 | 0 | | | | | | | 383,569 | 383,569 | 0 |
| Board of Education | 16,445 | 16,445 | 0 | | | | | | | | | | 16,445 | 16,445 | 0 |
| Administration | 648,332 | 648,332 | 0 | 72,604 | 72,604 | 0 | | | | 401 | 401 | 0 | 721,337 | 721,337 | 0 |
| Fiscal | 218,857 | 218,857 | 0 | 2,959 | 2,959 | 0 | | | | 2,809 | 2,809 | 0 | 224,625 | 224,625 | 0 |
| Business | 59,243 | 59,243 | 0 | | | | | | | | | | 59,243 | 59,243 | 0 |
| Operations and maintenance | 786,568 | 786,568 | 0 | 1,470 | 1,470 | 0 | | | | | | | 788,038 | 788,038 | 0 |
| Pupil transportation | 872,278 | 872,278 | 0 | | | | | | | 9,575 | 9,575 | 0 | 881,853 | 881,853 | 0 |
| Central | 17,388 | 17,388 | 0 | 5,000 | 5,000 | 0 | | | | | | | 22,388 | 22,388 | 0 |
| Community services | | | | 7,248 | 7,248 | 0 | | | | | | | 7,248 | 7,248 | 0 |
| Extracurricular activities | 120,416 | 120,416 | 0 | 151,828 | 151,828 | 0 | | | | 1,837 | 1,837 | 0 | 274,081 | 274,081 | 0 |
| Capital Outlay | 4,089 | 4,089 | 0 | | | | | | | 459,677 | 459,677 | 0 | 463,766 | 463,766 | 0 |
| Pass-through intergovernmental | | | | 191,685 | 191,685 | 0 | | | | | | | 191,685 | 191,685 | 0 |
| Debt service: | | | | | | | | | | | | | | | |
| Principal retirement | | | | | | | 15,925 | 15,925 | 0 | | | | 15,925 | 15,925 | 0 |
| Interest and fiscal charges | | | | | | | 5,180 | 5,180 | 0 | | | | 5,180 | 5,180 | 0 |
| Total expenditures | <u>7,687,248</u> | <u>7,687,248</u> | <u>0</u> | <u>936,356</u> | <u>936,356</u> | <u>0</u> | <u>21,105</u> | <u>21,105</u> | <u>0</u> | <u>517,875</u> | <u>517,875</u> | <u>0</u> | <u>9,162,584</u> | <u>9,162,584</u> | <u>0</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(131,135)</u> | <u>(131,135)</u> | <u>0</u> | <u>(80,334)</u> | <u>(80,334)</u> | <u>0</u> | <u>9</u> | <u>9</u> | <u>0</u> | <u>(313,329)</u> | <u>(313,329)</u> | <u>0</u> | <u>(524,789)</u> | <u>(524,789)</u> | <u>0</u> |
| Other financing sources (uses): | | | | | | | | | | | | | | | |
| Refund of prior year's expenditures | 11,806 | 11,806 | 0 | | | | | | | | | | 11,806 | 11,806 | 0 |
| Refund of prior year's (receipts) | | | | (712) | (712) | 0 | | | | | | | (712) | (712) | 0 |
| Operating transfers in | | | | 24,491 | 24,491 | 0 | | | | 2,590 | 2,590 | 0 | 27,081 | 27,081 | 0 |
| Operating transfers (out) | (22,962) | (22,962) | 0 | (6,092) | (6,092) | 0 | | | | | | | (29,054) | (29,054) | 0 |
| Advances in | 70,441 | 70,441 | 0 | 73,916 | 73,916 | 0 | | | | 24,536 | 24,536 | 0 | 168,893 | 168,893 | 0 |
| Advances (out) | (98,451) | (98,451) | 0 | (43,126) | (43,126) | 0 | | | | (27,315) | (27,315) | 0 | (168,892) | (168,892) | 0 |
| Proceeds of sale of fixed assets | 1,680 | 1,680 | 0 | | | | | | | | | | 1,680 | 1,680 | 0 |
| Total other financing sources (uses) | <u>(37,486)</u> | <u>(37,486)</u> | <u>0</u> | <u>48,477</u> | <u>48,477</u> | <u>0</u> | | | | <u>(189)</u> | <u>(189)</u> | <u>0</u> | <u>10,802</u> | <u>10,802</u> | <u>0</u> |
| Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses) | <u>(168,621)</u> | <u>(168,621)</u> | <u>0</u> | <u>(31,857)</u> | <u>(31,857)</u> | <u>0</u> | <u>9</u> | <u>9</u> | <u>0</u> | <u>(313,518)</u> | <u>(313,518)</u> | <u>0</u> | <u>(513,987)</u> | <u>(513,987)</u> | <u>0</u> |
| Fund balances, July 1 | 1,295,339 | 1,295,339 | 0 | 66,574 | 66,574 | 0 | 1,945 | 1,945 | 0 | 73,649 | 73,649 | 0 | 1,437,507 | 1,437,507 | 0 |
| Prior year encumbrances appropriated | 361,116 | 361,116 | 0 | 40,639 | 40,639 | 0 | | | | 271,107 | 271,107 | 0 | 672,862 | 672,862 | 0 |
| Fund balances, June 30 | <u>\$1,487,834</u> | <u>\$1,487,834</u> | <u>\$0</u> | <u>\$75,356</u> | <u>\$75,356</u> | <u>\$0</u> | <u>\$1,954</u> | <u>\$1,954</u> | <u>\$0</u> | <u>\$31,238</u> | <u>\$31,238</u> | <u>\$0</u> | <u>\$1,596,382</u> | <u>\$1,596,382</u> | <u>\$0</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATERLOO LOCAL SCHOOL DISTRICT
 PORTAGE COUNTY, OHIO
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS/FUND EQUITY
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2000

| | Proprietary Fund Type |
|-------------------------------------|--------------------------|
| | Enterprise |
| Operating revenues: | |
| Sales/charges for services | \$182,392 |
| Total operating revenues | 182,392 |
| Operating expenses: | |
| Personal services | 149,215 |
| Contract services | 5,816 |
| Materials and supplies | 111,852 |
| Depreciation | 2,851 |
| Total operating expenses | 269,734 |
| Operating (loss) | (87,342) |
| Nonoperating revenues: | |
| Operating grants | 74,197 |
| Investment earnings | 6,463 |
| Federal commodities | 25,114 |
| Total nonoperating revenues | 105,774 |
| Net income | 18,432 |
| Retained earnings at July 1 | 72,242 |
| Retained earnings at June 30 | 90,674 |
| Contributed capital at July 1 | 15,962 |
| Contributed capital during the year | 0 |
| Contributed capital at June 30 | 15,962 |
| Total fund equity | \$106,636 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

WATERLOO LOCAL SCHOOL DISTRICT
 PORTAGE COUNTY, OHIO
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED JUNE 30, 2000

| | Proprietary Fund Type |
|--|--------------------------|
| | Enterprise |
| Cash flows from operating activities: | |
| Cash received from sales/service charges | \$182,392 |
| Cash payments for personal services | (147,241) |
| Cash payments for contract services | (5,413) |
| Cash payments for supplies and materials | (87,587) |
| Net cash (used in) operating activities | (57,849) |
| Cash flows from noncapital financing activities: | |
| Cash received from operating grants | 73,768 |
| Net cash provided by noncapital financing activities | 73,768 |
| Cash flows from investing activities: | |
| Interest received | 6,040 |
| Net cash provided by investing activities | 6,040 |
| Net increase in cash and cash equivalents | 21,959 |
| Cash and cash equivalents at beginning of year | 86,585 |
| Cash and cash equivalents at end of year | \$108,544 |
| Reconciliation of operating (loss) to net cash (used in) operating activities: | |
| Operating (loss) | (\$87,342) |
| Adjustments to reconcile operating (loss) to net cash (used in) operating activities: | |
| Depreciation | 2,851 |
| Federal donated commodities | 25,114 |
| Changes in assets and liabilities: | |
| Increase in materials and supplies inventory | (690) |
| Increase in accounts payable | 194 |
| Increase in accrued wages and benefits | 2,112 |
| Decrease in compensated absences payable | (291) |
| Increase in pension obligation payable | 203 |
| Total adjustments | 29,493 |
| Net cash (used in) operating activities | (\$57,849) |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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 394th largest by total enrollment among the 660 public and community school districts in the State. Student enrollment as of June 30, 2000 was 1,394. The District employed 97 certified employees and 59 non-certified 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 general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity." When applying GASB Statement No. 14, management has considered all potential component units.

The definition of the reporting entity is based primarily on the notion of financial accountability. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the District's ability to impose its will over the component unit or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the District. On this basis, the District has no component units. The following organizations are described due to their relationship with the District:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

JOINTLY GOVERNED ORGANIZATION

Stark Portage Area Computer Consortium (SPARCC)

SPARCC is a joint venture among 31 school districts. The joint venture 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 twelve months financial contribution. SPARCC is governed by a Board of Directors consisting of superintendents of the members 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, the District does not have any equity interest in SPARCC, as 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 Clifford Pocock, Treasurer for the Stark County Educational Service Center, who serves as fiscal agent, at 2100 39th Street NW, Canton, Ohio 44709-2300.

PUBLIC ENTITY RISK POOL

Ohio School Boards Association Workers' Compensation Group Rating Plan

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP was established under Section 4123.29 of the Ohio Revised Code. The GRP'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 OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

GOVERNMENTAL FUNDS

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

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

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

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

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 where the determination of net income is necessary or useful to sound financial administration. The following is the District's proprietary fund type:

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. This includes an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency fund is presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3.B. for agency fund accruals which, in another fund type, would be recognized in the combined balance sheet.

ACCOUNT GROUPS

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

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

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

C. Measurement Focus/Basis of Accounting

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

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. The proprietary fund type operating statement presents increases (revenues) and decreases (expenses) in net total assets.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

The modified accrual basis of accounting is followed for governmental funds and the agency fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, extracurricular, grants and entitlements and accounts (student fees and tuition). Property taxes measurable as of June 30, 2000 and delinquent property taxes, whose availability is indeterminate and are intended to finance fiscal 2001 operations, have been recorded as deferred revenues, except for that portion which is available from the County Auditor as an advance at June 30. This amount is recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exception: general long-term obligation principal and interest are reported only when due; and costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities nonoperating revenue.

D. 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 2000 is as follows:

1. Prior to January 15 of the preceding year, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

2. By no later than January 20, the Board-adopted budget is filed with the Portage County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County 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 amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2000.
4. 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 for all funds. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures for all funds, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. 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.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. 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 departments/functions and funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation 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, 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

8. 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 legal level of budgetary control.

Encumbrance accounting is utilized with District funds in the normal course of operations, for purchase orders and contract-related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. For the enterprise fund, encumbrances outstanding at year end appear as a footnote disclosure in Note 13. Note 17 provides a reconciliation of the budgetary and GAAP bases of accounting for governmental fund types.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 combined balance sheet.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal 2000. 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 share price which is the price the investment could be sold for on June 30, 2000.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal 2000 amounted to \$134,141, which includes \$26,644 assigned from other District funds, and the interest revenue credited to the Food Service enterprise fund amounted to \$6,463, which includes \$510 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

F. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost or estimated historical cost. Donated fixed assets are recorded at their fair market values as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$1,000. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost or estimated historical cost and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. The District has not included infrastructure in the funds. Depreciation has been provided, where appropriate, on a straight-line basis over the following estimated useful lives:

| <u>Asset</u> | <u>Life (years)</u> |
|--------------------------------------|---------------------|
| Furniture, fixtures and equipment | 20 |

G. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants for proprietary fund operations are recognized as non-operating revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

| | |
|--------------------------------------|---------------------------|
| State Foundation Program | State Property Tax Relief |
| State School Bus Purchase Allocation | |

Special Revenue Funds

State Property Tax Relief

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

Capital Projects Funds

State Property Tax Relief

Non-Reimbursable Grants

Special Revenue Funds

Title VI

Education Management Information Systems (EMIS)

Title I

Drug-Free Grant

SchoolNet Professional Development

Local Professional Development Block Grant

Auxiliary Services

Ohio Reads

Eisenhower Grant

Preschool Grant

Title VI-R

Title VI-B

Reimbursable Grants

General Fund

Driver Education

Capital Project Funds

Emergency Building Repair

Enterprise Fund

National and State School Breakfast and Lunch Programs

Government Donated Commodities

Grants and entitlements amounted to approximately 59% of the District's operating revenue during the 2000 fiscal year.

H. Compensated Absences

Compensated absences of the District consist of vacation leave and sick leave to the extent that payment 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.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

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 a cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability is based on the sick leave accumulated at the balance sheet date 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 and all employees with at least twenty years of service regardless of their age 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 the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary-related payments.

Accumulated vacation and severance of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

I. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a government fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

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

J. Fund Equity

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, budget stabilization, debt service and tax advances unavailable for appropriation. The reserve for property tax advances unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

K. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of the agency fund, which does not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

L. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

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

M. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

N. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 19 for statutory reserves.

O. Estimates

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

P. Memorandum Only - Total Columns

Total columns on the GPFS are captioned (Memorandum Only) to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balance at June 30, 2000 included the following individual fund deficits:

| | <u>Deficit Balance</u> |
|--|------------------------|
| <u>Special Revenue Funds</u> | |
| Local Professional Development Block Grant | \$ (27) |
| Title VI-B | (4,566) |
| Ohio Reads | (11) |

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

These funds complied with Ohio state law, which does not permit a cash basis deficit at year end.

The deficit balances in the Local Professional Development Block Grant and Ohio Reads special revenue funds are caused by accruing wage and benefit obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit balance in the Title VI-B special revenue fund is due to the reporting of an "advance in" from another fund as an interfund loan payable rather than as an "other financing source" and due to accruing wage, benefit and retirement obligations in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Agency Fund

The following are accruals for the agency fund, which, in another fund type, would be recognized in the combined balance sheet:

LIABILITIES

| | |
|------------------|------|
| Accounts payable | \$33 |
|------------------|------|

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of 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 the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

Interim monies 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 or 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); and

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on hand: At fiscal year end, the District had \$150 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (Including Repurchase Agreements) and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was \$(163,735) and the bank balance was \$20,495. The District did not record a liability due to the "zero balance" nature of the account. The entire bank balance was covered by federal deposit insurance.

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of credit risk assumed by the District at year end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form. At June 30, 2000, the District had an investment of \$2,600,000 in STAR Ohio.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

A reconciliation between the classifications of cash and cash equivalents on the combined balance sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents/Deposits</u> | <u>Investments</u> |
|---|---|------------------------|
| GASB Statement No. 9 | \$2,436,415 | \$ 0 |
| Investments of the Cash Management Pool: | | |
| Investment in STAR Ohio | (2,600,000) | 2,600,000 |
| Cash on hand | <u>(150)</u> | <u>---</u> |
| GASB Statement No. 3 | <u>\$ (163,735)</u> | <u>\$2,600,000</u> |

NOTE 5 - INTERFUND TRANSACTIONS

A. The following is a summarized breakdown of the District's interfund receivables and payables at June 30, 2000:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|------------------------------|---------------------------------|------------------------------|
| General Fund | \$98,452 | \$ --- |
| <u>Special Revenue Funds</u> | | |
| Title VI-B | --- | 2,114 |
| Auxiliary Services | --- | 71,802 |
| <u>Capital Project Funds</u> | | |
| Emergency Building Repair | --- | 533 |
| Permanent Improvements | <u>---</u> | <u>24,003</u> |
| Total | <u>\$98,452</u> | <u>\$98,452</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| General Fund | \$ --- | \$20,989 |
| <u>Special Revenue Funds</u> | | |
| District Managed Activities | 18,399 | --- |
| <u>Capital Projects Funds</u> | | |
| Emergency Building Repair | 2,590 | --- |
| Total | <u>\$20,989</u> | <u>\$20,989</u> |

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District. Real property taxes and public utility taxes are levied after November 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value. The assessed value upon which the 1999 taxes were collected was \$106,794,902. Agricultural/residential and public utility/minerals real estate represented \$83,607,330 or 78.29% of this total, commercial and industrial real estate represented \$4,733,970 or 4.43% of this total, public utility tangible personal property represented \$7,540,560 or 7.06% of this total and general tangible personal property/manufactured home represented \$10,913,042 or 10.22% of this total. The voted general tax rate at the fiscal year ended June 30, 2000 was \$50.51 per \$1,000.00 of assessed valuation for general operations and \$2.60 per \$1,000.00 of assessed valuation for permanent improvements.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 12, if paid semi-annually, the first payment is due February 12 with the remainder payable by July 30.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 6 - PROPERTY TAXES - (Continued)

The Portage County Treasurer collects real estate property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in March and September. Such collections are available to pay current period liabilities.

The Portage County Treasurer collects personal property taxes on behalf of all taxing districts within the County. The Portage County Auditor periodically remits to the District its portion of the taxes collected with final settlement in February and August. Such collections are available to pay current period liabilities.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$139,546 was available to the District as an advance at June 30, 2000 and is recorded as revenue.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000 consisted of taxes, accounts (billing for user charged services and student fees), accrued interest, interfund loans, and intergovernmental state and federal revenues (to the extent they are intended to finance the current fiscal year). Intergovernmental receivables have been reported as "due from other governments" on the combined balance sheet. 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 items of receivables follows:

| | <u>Amounts</u> |
|--------------------------------|----------------|
| <u>General Fund</u> | |
| Taxes - current and delinquent | \$2,900,162 |
| Accrued interest | 12,620 |
| Accounts | 422 |
| Interfund loan | 98,452 |
| Due from other governments | 700 |
| <u>Special Revenue Funds</u> | |
| Taxes - current and delinquent | 199,724 |
| Accrued interest | 136 |
| Accounts | 443 |
| Due from other governments | 11,719 |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 7 - RECEIVABLES - (Continued)

| | |
|--------------------------------|---------|
| <u>Debt Service Fund</u> | |
| Taxes - current and delinquent | 2,468 |
| <u>Capital Projects Funds</u> | |
| Taxes - current and delinquent | 195,797 |
| Accounts | 132 |
| <u>Enterprise Fund</u> | |
| Due from other governments | 11,957 |
| Accrued interest | 814 |

NOTE 8 - FIXED ASSETS

A summary of the changes in the general fixed assets account group during the fiscal year follows:

| | <u>Balance</u> <u>July 1, 1999</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2000</u> |
|------------------------|---------------------------------------|------------------|-----------------|--|
| Land/Improvements | \$2,458,810 | \$ 28,567 | \$ --- | \$2,487,377 |
| Buildings/Improvements | 3,211,433 | 8,318 | --- | 3,219,751 |
| Furniture/Equipment | 1,057,107 | 41,734 | --- | 1,098,841 |
| Vehicles | <u>1,025,244</u> | <u>119,192</u> | <u>---</u> | <u>1,144,436</u> |
| Total | <u>\$7,752,594</u> | <u>\$197,811</u> | <u>\$ 0</u> | <u>\$7,950,405</u> |

A summary of the proprietary fixed assets at June 30, 2000 follows:

| | |
|--------------------------------|------------------|
| Furniture and equipment | \$ 70,718 |
| Less: accumulated depreciation | <u>(41,061)</u> |
| Net fixed assets | <u>\$ 29,657</u> |

NOTE 9 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2000 are summarized by source as follows:

| | |
|--|---|
| | <u>Food Service</u> <u>Enterprise Fund</u> |
| Contributed capital, July 1, 1999 | \$15,962 |
| Current contributions from other funds | <u>---</u> |
| Contributed capital, June 30, 2000 | <u>\$15,962</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal 1998, the District entered into a capital lease agreement for copiers. This lease 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 at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for the governmental fund types. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed assets account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception.

A corresponding liability was recorded in the general long-term obligations account group. Principal payments in the 2000 fiscal year totaled \$13,323. This amount is reflected as debt service principal retirement in the general fund.

The following is an analysis of the equipment under capital lease as of June 30, 2000:

| | <u>General Fixed Assets</u> |
|---------|---------------------------------|
| Copiers | \$70,529 |

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of June 30, 2000:

| | <u>General Long-Term Obligations Account Group</u> |
|--|--|
| <u>Year Ending June 30,</u> | <u>Copiers</u> |
| 2001 | \$16,656 |
| 2002 | 16,656 |
| 2003 | <u>11,104</u> |
| Total minimum lease payments | 44,416 |
| Less: amount representing interest | <u>(3,998)</u> |
| Present value of future minimum lease payments | <u>\$40,418</u> |

The District does not have a capitalized lease obligation after fiscal year 2003.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 11 - LONG-TERM OBLIGATIONS

The District's long-term debt obligations outstanding at June 30, 2000 consisted of energy conservation bonds. The energy conservation bonds were issued in 1994 pursuant to Section 3313.372 of the Ohio Revised Code in anticipation of energy cost savings to be realized from energy conservation projects under House Bill 264.

Payments of principal and interest relating to these liabilities are recorded as expenditures in the debt service fund. Unmatured obligations are accounted for in the general long-term obligations account group.

A. The following is a description of the District's long-term obligation outstanding as of June 30, 2000:

| | <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Outstanding July 1, 1999</u> | <u>Retired In 2000</u> | <u>Outstanding June 30, 2000</u> |
|---------------------------|--------------------------|--------------------------|-------------------------------------|----------------------------|--------------------------------------|
| Energy conservation bonds | 5.15% | 12/04 | <u>\$108,728</u> | <u>\$(15,925)</u> | <u>\$92,803</u> |

B. The following is a description of the District's future annual requirements to amortize the bonds outstanding:

| <u>Fiscal Year Ending</u> | <u>Principal on Energy Conservation Bonds</u> | <u>Interest on Energy Conservation Bonds</u> | <u>Total</u> |
|-------------------------------|---|--|------------------|
| 2001 | \$ 16,745 | \$ 4,348 | \$ 21,093 |
| 2002 | 17,607 | 3,464 | 21,071 |
| 2003 | 18,514 | 2,534 | 21,048 |
| 2004 | 19,467 | 1,555 | 21,022 |
| 2005 | <u>20,470</u> | <u>527</u> | <u>20,997</u> |
| Total | <u>\$ 92,803</u> | <u>\$12,428</u> | <u>\$105,231</u> |

C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences and pension obligations will be paid from the fund in which the employee was paid.

| | <u>Balance July 1, 1999</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance June 30, 2000</u> |
|----------------------------|---------------------------------|------------------|--------------------|----------------------------------|
| Compensated absences | \$648,491 | \$ 33,200 | \$ (19,667) | \$662,024 |
| Pension obligation payable | 66,871 | 68,959 | (66,871) | 68,959 |
| Capital lease payable | 53,741 | --- | (13,323) | 40,418 |
| Energy conservation bonds | <u>108,728</u> | <u>---</u> | <u>(15,925)</u> | <u>92,803</u> |
| Total | <u>\$877,831</u> | <u>\$102,159</u> | <u>\$(115,786)</u> | <u>\$864,204</u> |

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

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 effects of these debt limitations at June 30, 2000 are a voted debt margin of \$9,613,495 (including available funds of \$1,954) and an unvoted debt margin of \$106,795.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive and Health Care

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and, natural disasters. 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 not been a significant reduction of coverage from the prior year.

B. Workers' Compensation

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (See Note 2.A). The GRP'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 program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 12 - RISK MANAGEMENT - (Continued)

The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. 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 GRP. Each participant pays its workers' compensation premium to the State based on the rate for the GRP 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 GRP. 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 GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control and actuarial services to the GRP. Each year, the District pays an enrollment fee to the GRP to cover the costs of administering the program.

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUND

The District maintains one enterprise fund to account for the operations of food service. Segment information is not required as activity for this fund can be traced directly to the financial statements. The enterprise fund had \$2,861 in encumbrances outstanding at June 30, 2000.

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 14% of annual covered payroll; 7.70 percent was the portion to fund pension obligations. The contribution rates are established and may be amended by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$66,169, \$88,624 and \$88,809, respectively; 38 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$103,013, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$227,298, \$212,484 and \$342,070, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$89,612, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

G. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose social security or the SERS/STRS. The Board's liability is 6.2 percent of wages paid.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to eight percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$303,043 during fiscal 2000.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients statewide.

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

After the allocation for basis benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. For this fiscal year, employer contributions to fund health care benefits were 6.30 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999 (the latest information available), the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants statewide receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$100,685 during the 2000 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 16 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Classified employees working eleven or twelve months per year are entitled to an annual vacation, with pay, based on length of service in the District. Vacations must be taken within one year of the time earned with the exception that a portion may be carried over to the next year with prior approval. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers and administrators working fewer than ten months per year do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated for an unlimited number of days. For certified and classified employees, payment is made at retirement for accumulated sick leave and is determined by taking 30 percent times the employee's accumulated sick leave balance up to 55 days for building secretaries, 60 days for classified employees and 70 days for certified employees times the employee's daily rate at termination. The amount of accumulated vacation and sick leave of employees paid from governmental funds that meets the eligibility requirements has been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be paid using expendable available financial resources. The balance of the liability is recorded in the general long-term obligations account group. Vacation and sick leave for employees paid from proprietary funds is recorded as an expense and liability of the fund when earned.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

**Excess (Deficiency) of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing (Uses)**

| | Governmental Fund Types | | | |
|--|-------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| Budget basis | \$(168,621) | \$(31,857) | \$ 9 | \$(313,518) |
| Net adjustment for revenue accruals | (199,094) | (45,620) | - - - | (12,789) |
| Net adjustment for expenditure accruals | (97,647) | 11,970 | - - - | 14,593 |
| Net adjustment for other financing sources (uses) | 18,177 | (30,078) | - - - | 2,779 |
| Encumbrances (budget basis) | <u>379,007</u> | <u>100,887</u> | <u>- - -</u> | <u>220,556</u> |
| GAAP basis | <u>\$ (68,178)</u> | <u>\$ 5,302</u> | <u>\$ 9</u> | <u>\$ (88,379)</u> |

NOTE 18 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 18 - CONTINGENCIES - (Continued)

B. Litigation

The District is a party to various legal proceedings. It is management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received total school foundation support of \$4,244,752.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly....," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE 19 - 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, 2000, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|--|--------------------|--------------------------------|---------------------------------|
| Set-aside cash balance as of June 30, 1999 | \$ 0 | \$ 0 | \$ 54,559 |
| Current year set-aside requirement | 173,889 | 173,889 | 96,165 |
| Current year offsets | --- | (203,955) | --- |
| Qualifying disbursements | <u>(215,827)</u> | <u>(67,833)</u> | <u>---</u> |
| Set-aside cash balance as of June 30, 2000 | <u>\$ (41,938)</u> | <u>\$ (97,899)</u> | <u>\$150,724</u> |
| Cash balance carried forward to FY 2001 | <u>\$ (41,938)</u> | <u>\$ 0</u> | <u>\$150,724</u> |

A schedule of the restricted assets at June 30, 2000 follows:

| | |
|--|------------------|
| Amount restricted for budget stabilization | <u>\$150,724</u> |
| Total restricted assets | <u>\$150,724</u> |

Although the District had offsets and qualifying disbursements during the year that reduced the capital acquisition set aside amount below zero, this extra amount may not be used to reduce the set aside requirements of future years. The District may use the negative amount in the textbooks set aside to reduce set aside requirements of future fiscal years. Amounts remaining at fiscal year end that have been set aside to satisfy statutory requirements are represented by cash and cash equivalents and are presented as restricted assets on the combined balance sheet. Corresponding amounts are reported as reserves of fund balance.

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

On November 7, 2000, the District passed a 7.45 mill bond levy for renovation of the current high school and the construction of a new K-8 facility. The District also passed a .5 mill levy to ultimately fund the maintenance costs of the new facility. These levies 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. The total estimated cost of the building project is \$25,522,356, of which OSFC will pay \$14,802,967.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING
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 general purpose financial statements of the Waterloo Local School District, as of and for the year ended June 30, 2000, and have issued our report thereon dated February 13, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (continued)

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

February 13, 2001

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND 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 the 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 programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the 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 year ended June 30, 2000.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (continued)

Internal Control Over Compliance

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

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

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



GARY B. FINK & ASSOCIATES, INC.
Certified Public Accountants

February 13, 2001

**Waterloo Local School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2000**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Identifying Entity Number | Receipts | Disbursements |
|--|---------------------------|--|-----------|---------------|
| <u>U.S. Department of Agriculture</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Child Nutrition Cluster: | | | | |
| Food Distribution | 10.550 | ---- | \$25,265 | \$25,114 |
| School Breakfast Program | 10.553 | ---- | 5,752 | 5,752 |
| National School Lunch Program | 10.555 | ---- | 64,537 | 64,537 |
| Total U.S. Department of Agriculture - Child Nutrition Cluster | | | 95,554 | 95,403 |
| <u>U.S. Department of Education</u> | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Innovative Education Program Strategies (ESEA Title VI) | 84.298 | 049247-C2-S1-2000 | 2,353 | 1,131 |
| Innovative Education Program Strategies (ESEA Title VI) | 84.298 | 049247-C2-S1-1999C | 1,046 | 3,179 |
| Innovative Education Program Strategies (ESEA Title VI) | 84.298 | 049247-C2-S1-1999 | 0 | 3,645 |
| Total Innovative Education Program Strategies | | | 3,399 | 7,955 |
| Title I Grants to Local Educational Agencies | 84.010 | 049247-C1-S1-2000 | 134,840 | 105,771 |
| Title I Grants to Local Educational Agencies | 84.010 | 049247-C1-S1-1999C | 0 | 1,603 |
| Title I Grants to Local Educational Agencies | 84.010 | 049247-C1-S1-1999 | 53,936 | 31,201 |
| Total Title I | | | 188,776 | 138,575 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 049247-DR-S1-2000 | 4,632 | 3,600 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 049247-DR-S1-1999C | 0 | 2,356 |
| Safe and Drug-Free Schools and Communities - State Grants | 84.186 | 049247-DR-S1-1999 | 3,359 | 2,588 |
| Total Safe and Drug-Free Schools | | | 7,991 | 8,544 |
| Class Size Reduction (Title VI-R) | 84.340 | 049247-CR-S1-2000 | 19,534 | 14,993 |
| Special Education Cluster: | | | | |
| Special Education - Grants to States (Title VI-B Flow-Thru) | 84.027 | 049247-6B-SF-2000P | 88,248 | 83,820 |
| Special Education - Grants to States (Title VI-B Flow-Thru) | 84.027 | 049247-6B-SF-1999P | 28,293 | 6,299 |
| Total Title VI-B Flow-Thru | | | 116,541 | 90,119 |
| <i>Passed Through Ohio Department of Education/Passed Through Portage County Educational Service Center:</i> | | | | |
| Special Education - Preschool Grants | 84.173 | 049247-PG-S1-2000P | 1,850 | 1,850 |
| Special Education - Preschool Grants | 84.173 | 049247-PG-S1-1999P | 204 | 204 |
| Total Preschool Grants | | | 2,054 | 2,054 |
| Total Special Education Cluster | | | 118,595 | 92,173 |
| <i>Passed Through Ohio Department of Education/Passed Through Portage County Educational Service Center:</i> | | | | |
| Eisenhower Professional Development State Grants | 84.281 | 049247-MS-S1-2000 | 148 | 148 |
| Eisenhower Professional Development State Grants | 84.281 | 049247-MS-S1-1999C | 2,207 | 2,207 |
| Eisenhower Professional Development State Grants | 84.281 | 049247-MS-S1-1999 | 46 | 46 |
| Eisenhower Professional Development State Grants | 84.281 | 049247-MS-S1-1998C | 392 | 392 |
| Total Eisenhower | | | 2,793 | 2,793 |
| Total U.S. Department of Education | | | 341,088 | 265,033 |
| Total Federal Assistance | | | \$436,642 | \$360,436 |

WATERLOO LOCAL SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards is a summary of the activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. Monies are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.

WATERLOO LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|-------------|---|---------------------|
| (d)(1)(i) | Type of auditor's report issued on the general purpose financial statements | Unqualified Opinion |
| (d)(1)(ii) | Were there any material weaknesses in internal control reported at the general purpose financial statement level? | No |
| (d)(1)(ii) | Were there any other reportable conditions in internal control reported at the general purpose financial statement level? | No |
| (d)(1)(iii) | Was there any material noncompliance reported at the general purpose financial statement level? | No |
| (d)(1)(iv) | Were there any material weaknesses in internal control over major programs reported? | No |
| (d)(1)(iv) | Were there any other reportable conditions in internal control over major programs reported? | No |
| (d)(1)(v) | Type of auditor's report issued on compliance for major programs | Unqualified Opinion |
| (d)(1)(vi) | Were there any reportable audit findings under §510? | No |

WATERLOO LOCAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 §505

FOR THE YEAR ENDED JUNE 30, 2000
(CONTINUED)

| | | |
|--------------|-------------------------------------|--|
| (d)(1)(vii) | Major Programs: | Child Nutrition Cluster: Food Distribution, CFDA #10.550; School Breakfast Program, CFDA #10.553; and National School Lunch Program, CFDA #10.555 and Title I Grants to Local Educational Agencies, CFDA #84.010 |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | No |

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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
MARCH 8, 2001**