



**Auditor of State
Betty Montgomery**

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANT'S REPORT

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1443

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, (the District) as of and for the year ended June 30, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Wauseon Exempted Village School District, Fulton County, Ohio, as of June 30, 2003, and the respective changes in financial position and budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2003, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2004 on our consideration of the Government'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.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditures schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditures schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



Betty Montgomery
Auditor of State

January 29, 2004

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003**

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2003. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2003 are as follows:

In total, net assets increased \$662,465.

General revenues accounted for \$13,414,638 or 86% of all revenues. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$2,135,051 or 14% of total revenues of \$15,549,689.

The District's major funds included the general fund and the bond debt service fund. The general fund had \$12,895,357 in revenues and other financing sources and \$12,291,939 in and expenditures and other financing uses. The general fund's balance increased \$603,418 from the prior fiscal year.

The District had \$14,887,224 in expenses related to governmental activities; only \$2,135,051 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activity (primarily taxes and unrestricted grants and entitlements) of \$13,286,712 were adequate to provide for these programs.

The revenue generated from the debt service fund is used to pay for the current portion of bonded debt.

During the fiscal year, the District fully retired outstanding energy conservation loans.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds, with all other non-major funds presented in total in a single column.

For the District, the general fund is by far the most significant fund. The general fund and the bond debt service fund are the only two major funds.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Reporting the District as a Whole

Statement of Net Assets and Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2003?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all *assets* and *liabilities* using the *accrual basis of accounting* similar to accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the District's net assets and changes in those assets. This change in net assets is important because it tells the reader whether the financial position of the District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the District discloses a single type of activity:

Governmental Activities - All of the District's programs and services are reported here including instruction, support services, non-instructional services, and extracurricular activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial statements provide detailed information about the District's major funds. While the District uses many funds to account for its multitude of financial transactions, the fund financial statements focus on the District's most significant funds. The major governmental funds are the General and Bond Retirement funds.

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

Reporting the District's Fiduciary Responsibilities – The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose Trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in agency fund. All of the District fiduciary activities are reported in separate Statement of Fiduciary Net Assets in accompanied financial statements. These activities are

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

excluded from the District's other financial statements because the assets cannot be utilized by the District to finance the operation.

The District as a Whole

Table 1 provides a summary of the District's net assets for fiscal year 2003. A comparative analysis is not provided because this is the first year for government-wide financial statements using the full accrual basis of accounting. An analysis will be provided in future years when prior year information is available.

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$15,639,173 and expenditures of \$14,946,597. The net positive change of \$692,576 in fund balance for the year indicates that the District is able to meet current costs.

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 99.91% of total governmental activities revenue. Tax revenues include monies from District voter approval of the Permanent Improvement levy in 1999 and an Emergency levy that generates \$835,000 annually that was renewed in 2001. Reappraisal of Real Estate property values takes place every six years and is known as the triennial update. Wauseon is scheduled for the triennial update in calendar year 2005.

The Districts financial situation has improved in recent years relative to the increase in State Support in fiscal year 2001. State support increased approximately \$630,000 over fiscal year 2002. Growth in State support is expected to be at a lesser rate than previous years as substantiated by the State's biennium budget.

Table 1
Net Assets

	Governmental Activities 2003
Assets	
Current and Other Assets	\$ 11,800,000
Capital Assets, Net	<u>10,682,000</u>
<i>Total Assets</i>	<u>22,482,000</u>
 Liabilities	
Current and Other Liabilities	5,884,000
Long-Term Liabilities	<u>12,807,000</u>
<i>Total Liabilities</i>	<u>18,691,000</u>
 Net Assets	
Invested in Capital Assets, Net of Related Debt	(930,000)
Restricted	1,262,000
Unrestricted	<u>3,459,000</u>
<i>Total</i>	<u><u>\$ 3,791,000</u></u>

Table 2 reflects the changes in net assets for fiscal year 2003. This is the first year of implementation for GASB 34. Comparative figures are not available for fiscal year 2002. A comparative analysis will be provided in future years when prior year information is available.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Table 2
Change in Net Assets

	Governmental Activities
	2003
Revenues	
Program Revenues:	
Charges for Services and Sales	\$ 1,359,000
Operating Grants, Contributions and Interest	776,000
Total Program Revenues	2,135,000
General Revenues:	
Property Taxes	5,502,000
Grants and Entitlements	7,785,000
Interest	108,000
Gifts and Donations	8,000
Miscellaneous	12,000
Total General Revenues	13,415,000
<i>Total Revenues</i>	15,550,000
Expenses	
Instruction	8,591,000
Support Services:	
Pupils	525,000
Instructional Staff	526,000
Board of Education	34,000
Administration	933,000
Fiscal	296,000
Business	58,000
Operation and Maintenance of Plant	1,380,000
Pupil Transportation	532,000
Central	55,000
Non-Instructional	697,000
Extracurricular Activities	503,000
Capital Outlay	9,000
Miscellaneous	1,000
Interest and Fiscal Charges	747,000
<i>Total Expenses</i>	14,887,000
<i>Increase in Net Assets</i>	\$ 663,000

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Table 3
Governmental Activities

	2003	
	Total Cost of Services	Net Cost of Services
Instruction	\$ 8,591,000	\$ 7,309,000
Support Services:		
Pupils	525,000	436,000
Instructional Staff	526,000	516,000
Board of Education	34,000	34,000
Administration	933,000	930,000
Fiscal	296,000	296,000
Business	58,000	58,000
Operation and Maintenance of Plant	1,380,000	1,378,000
Pupil Transportation	532,000	514,000
Central	55,000	40,000
Non-Instructional	697,000	64,000
Extracurricular Activities	503,000	419,000
Capital Outlay	9,000	9,000
Miscellaneous	1,000	1,000
Interest and Fiscal Charges	747,000	747,000
Total Expenses	<u>\$ 14,887,000</u>	<u>\$ 12,751,000</u>

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 85 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 86 percent. It is apparent that the community, as a whole, is the primary support for the District's students.

The District's Funds

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues of \$15,639,173 and expenditures of \$14,946,597. The net positive change of \$692,576 in fund balance for the year indicates that the District is able to meet current costs.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During the course of fiscal year 2003, the District amended its General Fund budget as needed.

Final expenditures were budgeted at \$13,137,398 while actual expenditures were \$12,426,196. The \$711,202 difference is primarily due to a conservative "worst case scenario" approach. The District over-appropriates in case significant, unexpected expenditures arise during the fiscal year. Actual General Fund revenues were more than expenditures by \$389,761. During fiscal year 2003, interest revenue decreased significantly due to the declining economy. Open enrollment dollars were also recorded as gross receipts for incoming students and expenditures for outgoing students.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Management's Discussion and Analysis
For Fiscal Year Ended June 30, 2003
(Continued)**

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2003, the District had \$10,682,446 invested in capital assets (net of accumulated depreciation) for governmental activities.

For further information regarding the District's capital assets see Note 8 to the basic financial statements.

Debt

At June 30, 2003, the District had \$11,942,507 in school improvement general obligation bonds for building improvements. The bonds were issued for a twenty-six year period, with final maturity on December 1, 2022. The bonds are being retired through the Bond Retirement debt service fund.

At June 30, 2003, the District's overall legal debt margin was \$5,107,488, with an un-voted debt margin of \$180,442.

For further information regarding the District's debt see Note 13 to the basic financial statements.

Current Issues

The District is holding its own in the state of a declining economy and uncertainty in State funding. Wauseon is a small rural community of 6,500 people in Northwest Ohio. It has a number of small businesses with agriculture being an important part of the economy.

The district is currently operating in the first year of the state biennium budget. According to the 2003 Local District Report Card 37.9% of district revenue sources are from local funds, 58.4% from state funds and the remaining 3.7% is from federal funds. The total expenditure per pupil was calculated at \$6,112, which is a \$1,278 increase from the 1999 report card.

Over the past several years, the District has remained in a good financial position. In 1991, the District passed a five-year emergency levy to generate \$835,000 and has renewed it twice. This levy provides a continuous source of funds for the financial operations and stability of the district.

The District also passed a 1.0 mill permanent improvement levy in 1983. This generates approximately \$100,000 additional revenue to be used for maintaining, equipping and improving facilities of the school district. This levy is currently up for renewal.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to reflect the District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Karen Dameron, Treasurer, Wauseon Exempted Village School District, 120 E. Chestnut Street, Wauseon, Ohio 43567.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Net Assets
June 30, 2003**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,264,976
Materials and Supplies Inventory	27,972
Receivables:	
Accounts Receivable	542
Intergovernmental Receivable	30,078
Taxes	5,420,941
Prepaid Items	55,084
Capital Assets	
Non-Depreciable Capital Assets	387,500
Depreciable Capital Assets, net	<u>10,294,946</u>
<i>Total Assets</i>	<u>22,482,039</u>
Liabilities	
Accounts Payable	20,193
Accrued Wages and Benefits	1,107,566
Intergovernmental Payable	189,495
Matured Compensated Absences Payable	22,724
Deferred Revenue	4,544,153
Long-Term Liabilities:	
Due Within One Year	589,239
Due in More Than One Year	<u>12,218,045</u>
<i>Total Liabilities</i>	<u>18,691,415</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	(929,673)
Restricted for Debt Service	994,914
Restricted for Capital Outlay	112,016
Restricted for Other Purposes	154,184
Unrestricted	<u>3,459,183</u>
<i>Total Net Assets</i>	<u><u>\$ 3,790,624</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Activities
For the Fiscal Year Ended June 30, 2003**

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction:				
Regular	\$ 6,493,685	\$ 801,908	\$ 134,115	\$ (5,557,662)
Special	1,494,202	-	268,603	(1,225,599)
Vocational	273,717	-	77,350	(196,367)
Other	330,059	-	-	(330,059)
Support Services:				
Pupils	524,773	-	88,654	(436,119)
Instructional Staff	525,725	-	9,429	(516,296)
Board of Education	34,285	-	-	(34,285)
Administration	933,197	-	3,300	(929,897)
Fiscal	295,751	-	-	(295,751)
Business	57,448	-	-	(57,448)
Operation and Maintenance of Plant	1,379,760	-	1,799	(1,377,961)
Pupil Transportation	532,404	-	18,697	(513,707)
Central	54,652	-	14,000	(40,652)
Operation of Non-Instructional Services	697,471	473,091	160,030	(64,350)
Extracurricular Activities	503,286	84,075	-	(419,211)
Capital Outlay	8,709	-	-	(8,709)
Debt Service:				
Interest and Fiscal Charges	747,157	-	-	(747,157)
Other Financing Sources and (Uses)				
Refund of Prior Year Receipts	819	-	-	(819)
Other Financing Uses	124	-	-	(124)
Total Governmental Activities	\$ 14,887,224	\$ 1,359,074	\$ 775,977	(12,752,173)

General Revenues

Taxes:

Property Taxes, Levied for General Purposes	4,448,357
Property Taxes, Levied for Capital Outlay	86,076
Property Taxes, Levied for Debt Service	967,315
Grants and Entitlements not Restricted to Specific Programs	7,784,964
Gifts and Donations	7,508
Investment Earnings	108,444

Transfers

Proceeds from Sale of Fixed Assets	375
Refund of Prior Year Expenditures	11,899

Total General Revenues and Transfers 13,414,638

Change in Net Assets 662,465

Net Assets Beginning of Year 3,128,159

Net Assets End of Year \$ 3,790,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Balance Sheet
Governmental Funds
June 30, 2003**

	General Fund	Bond Retirement	Other Government al Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 4,777,582	\$ 1,172,460	\$ 314,934	\$ 6,264,976
Receivables:				
Accounts	542	-	-	542
Intergovernmental	-	-	30,078	30,078
Taxes	4,200,672	1,120,157	100,112	5,420,941
Prepaid Items	55,084	-	-	55,084
Material and Supplies inventory	17,708	-	10,264	27,972
<i>Total Assets</i>	<u>\$ 9,051,588</u>	<u>\$ 2,292,617</u>	<u>\$ 455,388</u>	<u>\$ 11,799,593</u>
Liabilities				
Accounts Payable	\$ 18,973	\$ -	\$ 1,220	\$ 20,193
Accrued Wages and Benefits	1,060,951	-	46,615	1,107,566
Intergovernmental Payable	183,186	-	6,309	189,495
Matured Compensated Absences Payable	22,724	-	-	22,724
Deferred Revenue	3,490,762	967,315	89,637	4,547,714
<i>Total Liabilities</i>	<u>4,776,596</u>	<u>967,315</u>	<u>143,781</u>	<u>5,887,692</u>
Fund Balances				
Reserved for Encumbrances	10,889	-	2,569	13,458
Reserved for Inventory	17,708	-	-	17,708
Reserved for Prepaid Items	55,084	-	-	55,084
Reserved for Property Taxes	709,910	152,842	14,036	876,788
Unreserved, Undesignated, Reported in:				
General Fund	3,481,401	-	-	3,481,401
Special Revenue Funds	-	-	197,022	197,022
Debt Service Funds	-	1,172,460	-	1,172,460
Capital Projects Funds	-	-	97,980	97,980
<i>Total Fund Balances</i>	<u>4,274,992</u>	<u>1,325,302</u>	<u>311,607</u>	<u>5,911,901</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,051,588</u>	<u>\$ 2,292,617</u>	<u>\$ 455,388</u>	<u>\$ 11,799,593</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Total Governmental Fund Balances
to Net Assets of Governmental Activities
June 30, 2003**

Total Governmental Fund Balances		\$ 5,911,901
 <i>Amounts reported for governmental activities on the statement of net assets are different because of the following:</i>		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.		10,682,446
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds:		
Intergovernmental Receivable	3,561	3,561
Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources, and therefore, not reported in the funds.		(112,540)
Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:		
General Obligation Bonds Payable	(11,942,507)	
Compensated Absences Payable	(752,237)	
Total		(12,694,744)
<i>Net Assets of Governmental Activities</i>		\$ 3,790,624

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2003**

	General Fund	Bond Retirement	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 4,282,165	\$ 1,121,677	\$ 97,906	\$ 5,501,748
Intergovernmental	7,764,513	122,000	670,867	8,557,380
Interest	105,832		2,612	108,444
Tuition and Fees	638,341		52,006	690,347
Rent	6,170			6,170
Extracurricular Activities			84,075	84,075
Gifts and Donations	130		7,378	7,508
Customer Sales and Services	24,612		490,591	515,203
Miscellaneous	63,279			63,279
Total Revenues	12,885,042	1,243,677	1,405,435	15,534,154
Expenditures				
Current:				
Instruction:				
Regular	6,031,083		148,006	6,179,089
Special	1,233,811		219,724	1,453,535
Vocational	261,963			261,963
Other	330,059			330,059
Support Services:				
Pupils	413,011		86,019	499,030
Instructional Staff	480,830		25,389	506,219
Board of Education	34,285			34,285
Administration	925,392		3,834	929,226
Fiscal	272,006	24,687	2,260	298,953
Business	58,363			58,363
Operation and Maintenance of Plant	1,286,014		118,927	1,404,941
Pupil Transportation	463,935			463,935
Central	39,625		15,027	54,652
Operation of Non-Instructional Services			647,483	647,483
Extracurricular Activities	357,962		154,599	512,561
Capital Outlay	10,200			10,200
Debt Service:				
Principal		595,000		595,000
Interest		613,115		613,115
Total Expenditures	12,198,539	1,232,802	1,421,268	14,852,609
Excess of Revenues Over (Under) Expenditures	686,503	10,875	(15,833)	681,545
Other Financing Sources and (Uses)				
Transfers In		92,745		92,745
Proceeds from Sale of Fixed Assets	375			375
Refund of Prior Year Expenditures	9,940		1,959	11,899
Transfers Out	(92,745)		(300)	(93,045)
Refund of Prior Year Receipts	(655)		(164)	(819)
Other Financing Uses			(124)	(124)
Total Other Financing Sources and Uses	(83,085)	92,745	1,371	11,031
Net Change in Fund Balances	603,418	103,620	(14,462)	692,576
Fund Balance at Beginning of Year	3,671,574	1,221,682	326,069	5,219,325
Fund Balance at End of Year	\$ 4,274,992	\$ 1,325,302	\$ 311,607	\$ 5,911,901

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to Statement Activities
For the Fiscal Year Ended June 30, 2003**

Net Change in Fund Balances - Total Governmental Funds \$ 692,576

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlay as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current year.

Capital Outlay - Depreciable Capital Assets	86,219	
Depreciation	<u>(378,069)</u>	
Total		(291,850)

Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Intergovernmental	<u>3,561</u>	
Total		3,561

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statements of activities.

595,000
(134,042)

Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payable representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(40,671)	
Compensated Absences Payable	<u>(162,109)</u>	
Total		<u>(202,780)</u>

Change in Net Assets of Governmental Activities **\$ 662,465**

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual Comparison (Non-GAAP budgetary Basis)**

General Fund

For the Fiscal Year Ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues				
Property and Other Local Taxes	\$ 4,070,000	\$ 4,070,000	\$ 4,198,789	\$ 128,789
Intergovernmental	7,530,000	7,530,000	7,764,513	234,513
Interest	125,000	125,000	105,832	(19,168)
Tuition and Fees	308,700	622,700	638,291	15,591
Rent	8,500	8,500	5,678	(2,822)
Gifts and Donations	-	-	130	130
Customer Sales and Services	40,000	40,000	24,612	(15,388)
Miscellaneous	40,000	40,000	65,797	25,797
<i>Total Revenues</i>	<u>12,122,200</u>	<u>12,436,200</u>	<u>12,803,642</u>	<u>367,442</u>
Expenditures				
Current:				
Instruction:				
Regular	6,054,645	6,147,273	6,004,131	143,142
Special	1,410,388	1,379,852	1,246,015	133,837
Vocational	277,939	292,959	267,156	25,803
Other	74,240	379,740	329,459	50,281
Support Services:				
Pupils	412,986	428,521	413,317	15,204
Instructional Staff	483,289	498,599	480,915	17,684
Board of Education	36,700	39,760	36,422	3,338
Administration	953,125	983,718	914,136	69,582
Fiscal	286,527	295,962	269,240	26,722
Business	59,319	60,904	58,224	2,680
Operation and Maintenance of Plant	1,380,722	1,389,831	1,286,310	103,521
Pupil Transportation	436,595	507,115	462,784	44,331
Central	213,900	213,040	198,625	14,415
Extracurricular Activities	412,484	414,929	355,862	59,067
Capital Outlay	11,710	11,710	10,200	1,510
<i>Total Expenditures</i>	<u>12,504,569</u>	<u>13,043,913</u>	<u>12,332,796</u>	<u>711,117</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(382,369)</u>	<u>(607,713)</u>	<u>470,846</u>	<u>1,078,559</u>
Other Financing Sources and Uses				
Proceeds from Sale of Fixed Assets	300	300	375	75
Refund of Prior Year Expenditures	6,500	6,500	9,940	3,440
Advances In	2,000	2,000	2,000	-
Transfers Out	(79,065)	(92,745)	(92,745)	-
Refund of Prior Year Receipts	(540)	(740)	(655)	85
<i>Total Other Financing Sources and Uses</i>	<u>(70,805)</u>	<u>(84,685)</u>	<u>(81,085)</u>	<u>3,600</u>
<i>Net Change in Fund Balances</i>	<u>(453,174)</u>	<u>(692,398)</u>	<u>389,761</u>	<u>1,082,159</u>
<i>Fund Balance at Beginning of Year</i>	<u>4,353,175</u>	<u>4,353,175</u>	<u>4,353,175</u>	
Prior Year Encumbrances Appropriated	22,684	22,684	22,684	
<i>Fund Balance at End of Year</i>	<u>\$ 3,922,685</u>	<u>\$ 3,683,461</u>	<u>\$ 4,765,620</u>	<u>\$ 1,082,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2003**

	Private Purpose Trust	Agency Fund
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$ 240,702	\$ 81,245
<i>Total Assets</i>	240,702	81,245
Liabilities		
<i>Current Liabilities:</i>		
Undistributed Monies	-	81,245
<i>Total Liabilities</i>	-	81,245
Net Assets		
Held in Trust for Scholarships	240,702	-
<i>Total Net Assets</i>	\$ 240,702	\$ -

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
For the Fiscal Year Ended June 30, 2003**

	<u>Private Purpose Trust</u>
Additions:	
Interest	\$ 7,003
Deductions:	
Payments in Accordance with Trust Agreements	<u>11,936</u>
<i>Change in Net Assets</i>	(4,933)
<i>Net Assets Beginning of Year</i>	<u>245,635</u>
<i>Net Assets End of Year</i>	<u><u>\$ 240,702</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wauseon Exempted Village School District, Fulton County, (the School District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government and provides educational services as mandated by state and/or federal agencies. This Board of Education controls the School District's four instructional/support facilities staffed by 62 non-certified and 136 certificated full time teaching personnel who provide services to 2,068 students and other community members.

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

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

The Wauseon Public Library is not part of the School District and is excluded from the accompanying financial statements. This organization is presented in Note 17.

The School District is associated with organizations, which are defined as jointly governed organizations and group purchasing pools. These organizations include the Northwest Ohio Computer Association, the Northern Buckeye Education Council, the Four County Career Center, the Northwestern Ohio Educational Research Council, Inc., the Northern Buckeye Education Council's Employee Insurance Benefits Program, the Northern Buckeye Education Council Workers' Compensation Group Rating Plan, and the Ohio School Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements

During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The General Fund and the Bond Retirement Fund are the School District's major governmental funds:

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

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

The other governmental funds of the School District account for grants and other resources, and capital projects of the School District whose uses are restricted to a particular purpose.

Fiduciary Funds

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

C. Measurement Focus

Government-wide Financial Statements

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

Fund Financial Statements

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

The private purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2003, but which were levied to finance fiscal year 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenditures/Expenses

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

E. Cash and Cash Equivalents

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

The School District utilizes a financial institution to service bonded debt as principal and interest payments come due.

During the fiscal year 2003, investments were limited to Certificates of Deposit valued at cost.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2003 amounted to \$105,832; interest in the amount of \$9,615 was credited to other District funds.

For presentation on the financial statements, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as investments.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year which services are consumed.

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. The cost of inventory items is recorded as an expenditure when purchased, except for the food service fund. Inventories of the food service fund consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five thousand dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

All reported capital assets, other than land and construction in progress, are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20 - 50 years
Buildings and Buildings Improvements	50 years
Furniture and Fixtures	5 - 20 years
Vehicles	5 - 15 years
Equipment	10 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities columns of the statement of net assets, except for any net residual amounts due between governmental activities, which are presented as internal balances.

J. Compensated Absences

The District has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 16, "Accounting for Compensated Absences". In conformity with GASB Statement No. 16, the School district accrues vacation as earned by its employees if the leave is attributable to past service and it is probable that the District will compensate the employees for the benefits through paid time or some other means, such as cash payments at termination or retirement. Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. These compensated absences are measured using rates in effect at June 30, 2003.

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

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

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

M. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity, which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, inventory, prepaids, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

N. Interfund Transactions

Transfers between governmental activities on the government-wide statements are reported in the same manner as general revenues.

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

O. Estimates

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the School District and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2003.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

3. CHANCES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Changes in Accounting Principles

For fiscal year 2003, the School District has implemented Governmental Accounting Standards Board Statement (GASB) No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments"; GASB No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues", GASB No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB No. 38, "Certain Financial Statement Note Disclosures", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At June 30, 2002, there was no effect on fund balance as a result of implementing GASB Statements 36, 37, and 38.

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements show the School District's programs for governmental activities. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice. The School District restated the fund liability of compensated absences that had not matured during fiscal year 2002.

B. Restatement of Fund Balance

The restatements for fund reclassifications, GASB Statement No. 34, and GASB Interpretation No. 6 had the following effects on fund balance of the major and nonmajor funds of the School District as they were previously reported.

The transition from governmental fund balance to net assets of the governmental activities is also presented.

	General	Bond Retirement	Nonmajor Governmental Funds	Total Governmental Activities
Fund Balance June 30, 2002	\$ 3,636,677	\$ 1,221,682	\$ 270,906	\$ 5,129,265
Fund Reclassifications	-	-	55,163	55,163
Interpretation 6 Adjustments:				
Compensated Absences Payable	34,897	-	-	34,897
Adjusted Fund Balance	<u>\$ 3,671,574</u>	<u>\$ 1,221,682</u>	<u>\$ 326,069</u>	5,219,325
GASB 34 Adjustments:				
Capital Assets				10,974,296
Long-Term Liabilities				<u>(13,065,462)</u>
Governmental Activities Net Assets at June 30, 2002				<u>\$ 3,128,159</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual Comparison (Non-GAAP Budgetary Basis) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund.

Net Change in Fund Balance Major Governmental Fund	General
GAAP Basis	\$ 603,418
<u>Increase (Decrease) Due To:</u>	
Revenue Accruals:	
Accrued FY 2002, Received In Cash FY 2003	629,052
Accrued FY 2003, Not Yet Received in Cash	(710,452)
Expenditure Accruals:	
Accrued FY 2002, Paid in Cash FY 2003	(1,335,337)
Accrued FY 2003, Not Yet Paid in Cash	1,213,042
Advances In	2,000
Encumbrances Outstanding at Year End (Budget Basis)	(11,962)
Budget Basis	\$ 389,761

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Basic Financial Statements
June 30, 2003
(Continued)**

evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

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

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

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**Notes to the Basic Financial Statements
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(Continued)**

institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits

At year end, the carrying amount of the District's deposits was \$6,583,923 and the bank balance was \$6,833,056. Of the bank balance:

1. \$220,352 was covered by federal depository insurance; and
2. \$3,573,979 was secured in the District name with specific pledge securities.
3. \$3,038,725 was uninsured and uncollateralized. Noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Cash and Cash Equivalents/ Investments
GASB Statement No. 9	\$ 6,586,923
Cash on Hand	(3,000)
GASB Statement No. 3	\$ 6,583,923

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real and public utility property tax revenues received in calendar year 2003 represent the collection of calendar year 2002 taxes. Real property taxes for 2003 were levied after April 1, 2002, on the assessed values as of January 1, 2002, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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Public utility property tax revenue received in calendar 2003 represents collections of calendar year 2002 taxes. Public utility real and tangible personal property taxes received in calendar year 2003 became a lien December 31, 2001, were levied after April 1, 2002 and are collected in 2003 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2003 (other than public utility property) represent the collection of calendar year 2003 taxes. Tangible personal property taxes for 2003 were levied after April 1, 2002, on the value as of December 31, 2002. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 24 percent of true value for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Fulton County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2003, are available to finance fiscal year 2003 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2003 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2003 was \$709,910 in the general fund, \$152,842 in the debt service fund, and \$14,036 in the capital projects fund. The amount available as an advance at June 30, 2002, was \$626,534 in the general fund, \$152,503 in the debt service fund, and \$15,793 in the capital projects fund.

The assessed values upon which the fiscal year 2003 taxes were collected are:

	2002 Second- Half Collections		2003 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$104,180,900	62%	\$117,873,690	65%
Industrial/Commercial	28,420,520	17%	33,471,740	19%
Public Utility	9,587,400	6%	8,926,810	5%
Tangible Personal	25,095,060	15%	20,170,170	11%
Total Assessed Value	<u>\$ 167,283,880</u>	<u>100%</u>	<u>\$ 180,442,410</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$45.20		\$45.20	

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
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(Continued)**

7. RECEIVABLES

Receivables at June 30, 2003, consisted of property, accounts (rent and student fees), and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of receivables on the Statement of Net Assets follows:

	Amount
Governmental Activities:	
Taxes - current and delinquent	\$ 5,420,941
Intergovernmental	30,078
Total Intergovernmental Receivables	\$ 5,451,019

8. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2003, was as follows:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$ 387,500	\$ -	\$ -	\$ 387,500
Total Nondepreciable Capital Assets	387,500	-	-	387,500
Depreciable Capital Assets				
Land Improvements	483,015	26,586	-	509,601
Buildings and Building Improvements	13,442,805	9,975	-	13,452,780
Furniture, Fixtures, and Equipment	435,986	43,391	-	479,377
Vehicles	818,499	6,267	6,000	818,766
Totals	15,180,305	86,219	6,000	15,260,524
Less Accumulated Depreciation				
Land Improvements	310,086	18,409	-	328,495
Buildings and Building Improvements	3,511,205	263,808	-	3,775,013
Furniture, Fixtures, and Equipment	211,589	36,388	-	247,977
Vehicles	560,629	59,464	6,000	614,093
Total Accumulated Depreciation	4,593,509	378,069	6,000	4,965,578
Depreciable Capital Assets, Net	10,586,796	(291,850)	-	10,294,946
Governmental Activities Capital Assets, Net	\$ 10,974,296	\$ (291,850)	\$ -	\$ 10,682,446

Depreciation expense was charged to governmental functions as follows:

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**Notes to the Basic Financial Statements
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(Continued)**

Instruction:	
Regular	\$ 203,806
Special	27,558
Vocational	9,942
Support Services:	
Pupil	10,455
Instructional Staff	10,169
Administration	8,511
Operation and Maintenance of Plant	2,286
Pupil Transportation	58,569
Non-Instruction	4,808
Extracurricular	20,986
Capital Outlay	<u>20,979</u>
Total Depreciation Expense	<u>\$ 378,069</u>

The restated balance of capital assets as of June 30, 2002, was increased by \$ 430,800 from \$10,543,496 to \$ 10,974,296 due to correction of an error.

**9. RISK MANAGEMENT
Comprehensive**

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

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

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

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to

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establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, and 2001 were \$122,952, \$75,592 and \$106,562 respectively; 49 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently selected the DC or Combined Plan. Existing member with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13

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**Notes to the Basic Financial Statements
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percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations for the fiscal years ended June 30, 2003, 2002, and 2001 were \$864,598, \$609,830 and \$565,734, respectively; 84 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001.

11. POST-EMPLOYMENT BENEFITS

State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit Plan or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care costs in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to benefit recipients, spouses and dependents. By Ohio law, health care and benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2003, the board allocated employer contributions equal to 1 percent of covered payroll to Health Care Stabilization Fund. For fiscal year ended June 30, 2002, 4.5 percent of covered payroll was allocated to the fund. The balance in the Health Care Stabilization Fund was \$2.8 billion on June 30, 2003.

For the year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352,301,000. There were 108,294 eligible benefit recipients.

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

After the allocation for the basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. At June 30, 2003, the healthcare allocation rate is 5.83 percent. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal 2003, the minimum pay has been established as \$14,500. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2003 were

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\$204,930,737 and the target level was \$307.4 million. At June 30, 2003, the Retirement System's net assets available for payment of health care benefits were \$303.6 million.

The number of participants currently receiving health care benefits is approximately 50,000.

The portion of your employer contributions that were used to fund postemployment benefits can be determined by multiplying actual employer contributions times .4164, then adding the surcharge due as of June 30, 2003, as certified to your district by SERS.

12. OTHER EMPLOYEE BENEFITS

Compensated Absences

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Twelve (12) and eleven (11) month employees with one or more years of service are entitled to vacation ranging from 10 to 20 days. At June 30, 2003, a liability of \$7,207 has been provided in the general fund for earned, but unused vacation leave that will be paid to the employees.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rate basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-fourth of the accumulated sick leave to a maximum payout of 49 days for bus drivers and 52 days for all other employees. At June 30, 2003, a current liability of \$15,517 has been provided in the general fund for earned, but unused sick leave that will be paid to the employees.

The District has recorded an estimated liability of \$752,237 for severance pay and sick leave payable at June 30, 2003, in accordance with GASB No. 16, "Accounting for Compensated Absences". The amount has been recorded in the Government Wide Basic Financial Statements since the liability will not require the use of current expendable available financial resources.

13. LONG-TERM OBLIGATIONS

General Obligation Bonds

Debt outstanding at June 30, 2003 consisted of the following:

	School Improvement	Capital Appreciation
General Obligation Bonds		
Principal Outstanding	\$ 11,475,000	\$ 467,907
Interest Rate	4.25%	4.6 - 4.7%

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

These bonds are direct obligations of the District for which its full faith, credit, and resources are pledged and are payable from taxes levied on all taxable property of the government. These bonds

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were issued in February 1997. These bonds will mature in December 2022 and December 2003, respectively.

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

Total expenditures incurred by the District for interest on the above bonds was \$975,397 for the period ended June 30, 2003.

During the year ended June 30, 2003, the following changes occurred in long-term obligations:

	Balance at 06/30/02	Additions	Reductions	Balance at 06/30/03	Amounts Due in One Year
General obligation bonds	\$ 12,403,465	\$ 134,042	\$ 595,000	\$ 11,942,507	\$ 467,507
Compensated absences payable	590,128	752,237	590,128	752,237	29,294
Intergovernmental Payable	71,869	112,540	71,869	112,540	92,438
Total	<u>\$ 13,065,462</u>	<u>\$ 998,819</u>	<u>\$ 1,256,997</u>	<u>\$ 12,807,284</u>	<u>\$ 589,239</u>

Beginning balance for compensated absences payable was increased by \$17, 324 from \$572,804 to \$590,128 due to correction of error.

The scheduled payments of principal and interest on debt outstanding at June 30, 2003 are as follows:

For the Years Ending June 30,	Principal	Interest	Total
2004	\$ 467,507	\$ 657,863	\$ 1,125,370
2005	510,000	598,512	1,108,512
2006	465,000	575,611	1,040,611
2007	490,000	552,685	1,042,685
2008	510,000	528,180	1,038,180
2009-2013	2,685,000	2,221,889	4,906,889
2014-2018	2,955,000	1,484,310	4,439,310
2019-2023	3,860,000	553,575	4,413,575
Total	<u>\$ 11,942,507</u>	<u>\$ 7,172,625</u>	<u>\$ 19,115,132</u>

14. SET-ASIDE CALCULATIONS AND FUND RESERVES

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

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

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**Notes to the Basic Financial Statements
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	<u>Textbooks</u>	<u>Capital Acquisition</u>
Set-aside Balance as of June 30, 2002	\$ (144,930)	\$ -
Current Year Set-aside Requirement	284,646	284,646
Current Year Offsets	-	(99,662)
Qualifying Disbursements	<u>(348,749)</u>	<u>(458,715)</u>
Total	<u>\$ (209,033)</u>	<u>\$ (273,731)</u>
Balance Carried Forward to FY 2004	<u>\$ (209,033)</u>	<u>\$ -</u>

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

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Computer Association

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

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

B. Northern Buckeye Education Council

The Northern Buckeye Education Council (the Council) was established in 1979 to foster cooperation among school districts located in Defiance, Fulton, Henry, and Williams Counties. The Council is organized under Ohio laws as a regional council of governments pursuant to a written agreement entered into by its member school districts and bylaws adopted by the representatives of the member school districts. To obtain financial information write to the Northern Buckeye Education Council, Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

C. Four County Career Center

The Four County Career Center is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the educational service centers from the counties of Defiance, Fulton, Henry, and Williams; one representative from each of the city school districts; one representative from each of the exempted village school districts; and

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one additional representative from Fulton County educational service center. The Four County Career Center possesses its own budgeting and taxing authority. To obtain financial information write to the Four County Career Center, Lois Knuth, who serves as Treasurer, at Route 1, Box 245A, Archbold, Ohio 43502.

D. Northwestern Ohio Educational Research Council, Inc.

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

16. GROUP PURCHASING POOLS

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

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

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

In fiscal year 2003, the Wauseon Exempted Village School District contributed a total for all four plans \$1,030,244, which represented 4.92 percent of total contributions. Financial information can be obtained from Cindy Siler, who serves as Treasurer, at 22-900 State Route 34, Archbold, Ohio 43502.

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

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

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

C. Ohio School Plan

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

17. RELATED ORGANIZATION

Wauseon Public Library

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

18. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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19. INTERFUND TRANSFERS

During the year ended June 30, 2003, the General Fund transferred \$92,745 to the Bond Retirement Fund and \$300 was transferred from Other Non-Major Governmental Funds to the Agency Fund. In the fund financial statements, total transfers out of \$93,045 are greater than the total transfers in of \$92,745 due to the transfer out of \$300 to the Agency Fund.

20. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2003.

B. Litigation

Currently there is a pending lawsuit in which the School District is named as defendant. Management and legal counsel opinion is that the outcome will be favorable therefore no liability has been accrued.

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**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Pass-through Entity Number
UNITED STATES DEPARTMENT OF AGRICULTURE <i>Passed through the State Department of Education</i>		
<u>Nutrition Cluster</u>		
Food Distribution Program	10.550	
National School Lunch Program	10.555	
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION <i>Passed through the State Department of Education</i>		
Title I - Grants to Local Educational Agencies	84.010	C1-S1-03 C1-S1-02
Total Title I		
<u>Special Education Cluster</u>		
Title VI-B	84.027	6B-SF-03 6B-SF-02P
Preschool Grant	84.173	PGS1-03-P PGS1-02-P
Total Department of Education - Special Education Cluster		
Title V - Education program Strategies	84.298	C2-S1-03
Title II - Eisenhower Professional Development State Grants	84.281	MS-S1-02
Title VI - R - Class size reduction subsidy	84.340	CR-S1-02
Title II - A Improving Teachers Quality Grant	84.367	TRS1-03
Title II - D Technology Literacy Challenge Fund Grant	84.318	TJS1-03
Drug Free Schools Grant	84.186	DR-S1-03 DR-S1-02
Total Drug Free Schools Grant		
Total Department of Education		
TOTAL FEDERAL AWARDS EXPENDITURES		

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THIS SCHEDULE

Program or Award Amount	Cash Receipts	Non-cash Receipts	Cash Disbursements	Non-cash Disbursements
	\$ -	\$ 51,156	\$ -	\$ 52,563
	<u>134,592</u>	<u>-</u>	<u>134,592</u>	<u>-</u>
	<u>134,592</u>	<u>51,156</u>	<u>134,592</u>	<u>52,563</u>
\$ 124,749	120,621	-	109,027	-
115,718	<u>2,936</u>	<u>-</u>	<u>8,389</u>	<u>-</u>
	123,557	-	117,416	-
166,706	166,706	-	152,837	-
123,512	1,440	-	13,231	-
8,439	7,678	-	7,456	-
8,420	<u>-</u>	<u>-</u>	<u>657</u>	<u>-</u>
	175,824	-	174,181	-
11,275	11,275	-	11,275	-
8,839	-	-	6,082	-
38,347	3,242	-	4,933	-
67,814	58,102	-	54,512	-
3,443	3,443	-	3,443	-
7,726	6,085	-	5,477	-
7,959	<u>-</u>	<u>-</u>	<u>1,245</u>	<u>-</u>
	<u>6,085</u>	<u>-</u>	<u>6,722</u>	<u>-</u>
	<u>381,528</u>	<u>51,156</u>	<u>378,564</u>	<u>52,563</u>
	<u>\$ 516,120</u>	<u>\$ 51,156</u>	<u>\$ 513,156</u>	<u>\$ 52,563</u>

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
June 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICES

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

NOTE B – FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2003 the District had no significant food commodities in inventory.



**Auditor of State
Betty Montgomery**

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

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1443

To the Board of Education:

We have audited the financial statements of Wauseon Exempted Village School District, Fulton County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated January 29, 2004, in which we noted the District adopted Governmental Accounting Standards Board Statement 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material As part of obtaining reasonable assurance about whether the District's financial effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District's in a separate letter dated January 29, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 29, 2004.

Wauseon Exempted Village School District
Fulton County
Independent Accountants' Report on Compliance and on Internal
Control Required by *Government Auditing Standards*
Page 2

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

January 29, 2004



**Auditor of State
Betty Montgomery**

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

Wauseon Exempted Village School District
Fulton County
120 East Chestnut Street
Wauseon, Ohio 43567-1443

To the Board of Education:

Compliance

We have audited the compliance of Wauseon Exempted Village School District, Fulton County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material aspects, with the requirements applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control over Compliance

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

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

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



Betty Montgomery
Auditor of State

January 29, 2004

**WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT
FULTON COUNTY**

**Schedule of Findings
OMB Circular A -133 § .505
June 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.

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**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

WAUSEON EXEMPTED VILLAGE SCHOOL DISTRICT

FULTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 4, 2004**