



**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

SINGLE AUDIT

FOR THE FISCAL YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

We have audited the accompanying general-purpose financial statements of the Wapakoneta City School District, Auglaize County, (the District) as of and for the year ended June 30, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2002, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

January 10, 2002

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**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2001**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits:				
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$4,410,433	\$128,607	\$916,919	\$1,394,274
Receivables:				
Property Taxes	4,992,653		1,002,671	174,445
Income Taxes	638,643			314,555
Accounts	28,145	488		
Intergovernmental	2,005	64,571		118,206
Accrued Interest	13,311			2,681
Interfund	107,837			
Due from Other Funds	25			
Inventory Held for Resale				
Materials and Supplies Inventory				
Prepaid Items	101,971	1,632		
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	62,318			
Cash and Cash Equivalents in Segregated Account				
Advances to Other Funds	50,000			
Fixed Assets (net, where applicable, of accumulated depreciation)				
Other Debits:				
Amount Available in Debt Service Fund for Retirement of General Long-Term Obligations				
Amount to be Provided from General Governmental Resources				
Total Assets and Other Debits	<u>10,407,341</u>	<u>195,298</u>	<u>1,919,590</u>	<u>2,004,161</u>
Liabilities, Fund Equity, and Other Credits:				
Liabilities:				
Accounts Payable	181,212	5,389		84,394
Accrued Wages and Benefits	1,357,014	55,798		
Compensated Absences Payable	26,740	1,224		
Intergovernmental Payable	338,474	8,029		
Interfund Payable		17,837		90,000
Due to Other Funds		25		
Deferred Revenue	4,889,957	1,168	954,791	224,984
Undistributed Assets				
Due to Students				
Advances from Other Funds				50,000
Asbestos Removal Loans Payable				
General Obligation Bonds Payable				
Total Liabilities	<u>6,793,397</u>	<u>89,470</u>	<u>954,791</u>	<u>449,378</u>
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Retained Earnings:				
Unreserved				
Contributed Capital				
Fund Balance:				
Reserved for Property Taxes	234,689		47,880	8,000
Reserved for Budget Stabilization	62,318			
Reserved for Advances	50,000			
Reserved for Encumbrances	713,081	31,039		44,819
Unreserved	2,553,856	74,789	916,919	1,501,964
Total Fund Equity and Other Credits	<u>3,613,944</u>	<u>105,828</u>	<u>964,799</u>	<u>1,554,783</u>
Total Liabilities, Fund Equity, and Other Credits	<u>\$10,407,341</u>	<u>\$195,298</u>	<u>\$1,919,590</u>	<u>\$2,004,161</u>

See Accompanying Notes to the General Purpose Financial Statements.

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Trust and Agency			
\$182,363	\$72,520			\$7,105,116
				6,169,769
				953,198
249	654			29,536
83				184,865
				15,992
				107,837
				25
40,128				40,128
4,382				4,382
6,706				110,309
				62,318
	780,281			780,281
				50,000
95,227		\$24,396,777		24,492,004
			\$964,799	964,799
			4,966,253	4,966,253
<u>329,138</u>	<u>853,455</u>	<u>24,396,777</u>	<u>5,931,052</u>	<u>46,036,812</u>
395	648			272,038
65,645				1,478,457
13,921			771,479	813,364
77,832			54,863	479,198
				107,837
				25
34,735				6,105,635
	3,031			3,031
	69,495			69,495
				50,000
			104,710	104,710
			5,000,000	5,000,000
<u>192,528</u>	<u>73,174</u>		<u>5,931,052</u>	<u>14,483,790</u>
		24,396,777		24,396,777
69,476				69,476
67,134				67,134
				290,569
				62,318
				50,000
				788,939
	780,281			5,827,809
<u>136,610</u>	<u>780,281</u>	<u>24,396,777</u>		<u>31,553,022</u>
<u>\$329,138</u>	<u>\$853,455</u>	<u>\$24,396,777</u>	<u>\$5,931,052</u>	<u>\$46,036,812</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)	
	General	Special Revenue	Debt Service	Capital Projects		Expendable Trust
Revenues:						
Property Taxes	\$5,128,594		\$1,046,159	\$180,248		\$6,355,001
Income Taxes	1,543,480			760,221		2,303,701
Payment in Lieu of Taxes	50,000					50,000
Intergovernmental	10,595,489	\$890,645	123,684	354,061		11,963,879
Interest	460,055	2,329		9,170	\$44,569	516,123
Tuition and Fees	141,008					141,008
Rent	12,685					12,685
Extracurricular Activities	23,536	198,456				221,992
Gifts and Donations	54,370	10,018		50,000	1,000	115,388
Miscellaneous	73,123			5,000		78,123
Total Revenues	18,082,340	1,101,448	1,169,843	1,358,700	45,569	21,757,900
Expenditures:						
Current:						
Instruction:						
Regular	8,654,950	135,024				8,789,974
Special	689,363	377,663				1,067,026
Vocational	240,004					240,004
Adult/Continuing		3,200				3,200
Other	68,094					68,094
Support Services:						
Pupils	1,353,304	29,924				1,383,228
Instructional Staff	809,732	124,876		1,117		935,725
Board of Education	13,549					13,549
Administration	1,331,022	75,625				1,406,647
Fiscal	388,684		22,290	13,367		424,341
Operation and Maintenance	2,544,398					2,544,398
Pupil Transportation	1,041,266	3,500				1,044,766
Central	40,525	13,157				53,682
Non-Instructional Services		149,431			8,708	158,139
Extracurricular Activities	246,087	168,313				414,400
Capital Outlay				650,027		650,027
Debt Service:						
Principal Retirement			643,460			643,460
Interest and Fiscal Charges			438,281			438,281
Total Expenditures	17,420,978	1,080,713	1,104,031	664,511	8,708	20,278,941
Excess of Revenues Over Expenditures	661,362	20,735	65,812	694,189	36,861	1,478,959
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	4,154			33,000		37,154
Excess of Revenues and Other Financing Sources Over Expenditures	665,516	20,735	65,812	727,189	36,861	1,516,113
Fund Balances at Beginning of Year	2,948,428	85,093	898,987	827,594	743,420	5,503,522
Fund Balances at End of Year	\$3,613,944	\$105,828	\$964,799	\$1,554,783	\$780,281	\$7,019,635

See Accompanying Notes to the General Purpose Financial Statements.

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**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Property Taxes	\$5,103,292	\$5,103,292				
Income Taxes	1,513,368	1,513,368				
Payment in Lieu of Taxes	50,000	50,000				
Intergovernmental	10,595,276	10,595,276		\$900,645	\$837,242	(\$63,403)
Interest	474,857	474,857		2,329	2,329	
Tuition and Fees	139,252	139,252				
Rent	14,537	14,537				
Extracurricular Activities	23,478	23,478		199,108	199,108	
Gifts and Donations	54,370	54,370		10,018	10,018	
Miscellaneous	14,346	21,355	\$7,009			
Total Revenues	17,982,776	17,989,785	7,009	1,112,100	1,048,697	(63,403)
Expenditures:						
Current:						
Instruction:						
Regular	8,883,021	8,869,385	13,636	154,707	149,249	5,458
Special	659,869	644,869	15,000	445,415	378,904	66,511
Vocational	241,475	237,965	3,510			
Adult/Continuing				3,200	3,200	
Other	73,791	68,579	5,212			
Support Services:						
Pupils	1,435,935	1,351,879	84,056	30,642	29,998	644
Instructional Staff	933,049	892,011	41,038	155,692	133,400	22,292
Board of Education	13,558	13,558				
Administration	1,322,688	1,322,520	168	107,269	79,313	27,956
Fiscal	404,374	389,425	14,949			
Operation and Maintenance of Plant	2,961,899	2,936,083	25,816			
Pupil Transportation	1,060,886	1,056,520	4,366	3,500	3,500	
Central	41,610	41,610		13,157	13,157	
Non-Instructional Services						
Extracurricular Activities	246,449	246,449		158,474	149,628	8,846
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	18,278,604	18,070,853	207,751	1,254,586	1,118,990	135,596
Excess of Revenues Over (Under) Expenditures	(295,828)	(81,068)	214,760	(142,486)	(70,293)	72,193
Other Financing Sources:						
Proceeds from Sale of Fixed Assets	4,154	4,154				
Refund of Prior Year Expenditures	61,992	61,992				
Total Other Financing Sources	66,146	66,146				
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(229,682)	(14,922)	214,760	(142,486)	(70,293)	72,193
Fund Balances at Beginning of Year	2,478,302	2,478,302		121,868	121,868	
Prior Year Encumbrances Appropriated	1,229,938	1,229,938		22,693	22,693	
Fund Balances at End of Year	\$3,478,558	\$3,693,318	\$214,760	\$2,075	\$74,268	\$72,193

See Accompanying Notes to the General Purpose Financial Statements.

Debt Service Fund			Capital Projects Funds			Expendable Trust Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,042,166	\$1,042,166		\$179,311	\$179,311				
			745,390	745,390				
123,684	123,684		259,701	238,201	(\$21,500)			
			9,125	9,125				
			50,000	50,000		\$1,000	\$1,000	
<u>1,165,850</u>	<u>1,165,850</u>		<u>1,243,527</u>	<u>1,222,027</u>	<u>(21,500)</u>	<u>1,000</u>	<u>1,000</u>	
			2,227	2,227				
			244,426	241,243	3,183			
22,290	22,290		13,270	13,270				
			44,213	44,213				
						1,000	1,000	
			1,723,619	594,970	1,128,649			
643,460	643,460							
489,844	438,281	\$51,563						
<u>1,155,594</u>	<u>1,104,031</u>	<u>51,563</u>	<u>2,027,755</u>	<u>895,923</u>	<u>1,131,832</u>	<u>1,000</u>	<u>1,000</u>	
10,256	61,819	51,563	(784,228)	326,104	1,110,332			
			33,000	33,000				
			5,000	5,000				
			<u>38,000</u>	<u>38,000</u>				
10,256	61,819	51,563	(746,228)	364,104	1,110,332			
855,100	855,100		348,013	348,013				
			467,076	467,076				
<u>\$865,356</u>	<u>\$916,919</u>	<u>\$51,563</u>	<u>\$68,861</u>	<u>\$1,179,193</u>	<u>\$1,110,332</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	Enterprise	Internal Service	Totals (Memorandum Only)
Operating Revenues:			
Tuition	\$1,220		\$1,220
Sales	720,395		720,395
Other Operating Revenues	4,323		4,323
Total Operating Revenues	<u>725,938</u>		<u>725,938</u>
Operating Expenses:			
Salaries	407,646		407,646
Fringe Benefits	173,982		173,982
Purchased Services	40,162	\$1,733	41,895
Materials and Supplies	31,950		31,950
Cost of Sales	420,807		420,807
Depreciation	25,372		25,372
Other Operating Expenses	1,483		1,483
Total Operating Expenses	<u>1,101,402</u>	<u>1,733</u>	<u>1,103,135</u>
Operating Loss	<u>(375,464)</u>	<u>(1,733)</u>	<u>(377,197)</u>
Non-Operating Revenues:			
Federal Donated Commodities	110,730		110,730
Interest	2,970		2,970
Operating Grants	230,893		230,893
Total Non-Operating Revenues	<u>344,593</u>		<u>344,593</u>
Net Loss	(30,871)	(1,733)	(32,604)
Retained Earnings at Beginning of Year -			
Restated (Note 4)	100,347	1,733	102,080
Retained Earnings at End of Year	69,476		69,476
Contributed Capital at Beginning			
and End of Year	67,134		67,134
Total Fund Equity at End of Year	<u>\$136,610</u>	<u>\$0</u>	<u>\$136,610</u>

See Accompanying Notes to the General Purpose Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise</u>	<u>Internal Service</u>	<u>Totals (Memorandum Only)</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Cash Received from Customers	\$721,558		\$721,558
Cash Received from Other Revenues	4,604		4,604
Cash Payments for Salaries	(399,575)		(399,575)
Cash Payments for Fringe Benefits	(175,757)		(175,757)
Cash Payments for Goods and Services	(382,040)	(\$1,733)	(383,773)
Cash Payments for Other Expenses	(1,483)		(1,483)
Net Cash Used for Operating Activities	<u>(232,693)</u>	<u>(1,733)</u>	<u>(234,426)</u>
Cash Flows from Noncapital Financing Activities:			
Cash Received from Operating Grants	<u>261,502</u>		<u>261,502</u>
Cash Flows from Investing Activities:			
Cash Received from Interest	<u>2,970</u>		<u>2,970</u>
Net Increase (Decrease) in Cash and Cash Equivalents	31,779	(1,733)	30,046
Cash and Cash Equivalents at Beginning of Year	<u>150,584</u>	<u>1,733</u>	<u>152,317</u>
Cash and Cash Equivalents at End of Year	<u><u>182,363</u></u>	<u><u>0</u></u>	<u><u>182,363</u></u>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:			
Operating Loss	<u>(375,464)</u>	<u>(1,733)</u>	<u>(377,197)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:			
Depreciation	25,372		25,372
Donated Commodities Used During Year	110,730		110,730
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	327		327
Increase in Intergovernmental Receivable	(83)		(83)
Decrease in Inventory Held for Resale	357		357
Increase in Materials and Supplies Inventory	(538)		(538)
Decrease in Prepaid Items	779		779
Increase in Accounts Payable	310		310
Increase in Accrued Wages and Benefits	4,425		4,425
Increase in Compensated Absences Payable	2,930		2,930
Decrease in Intergovernmental Payable	(1,838)		(1,838)
Total Adjustments	<u>142,771</u>		<u>142,771</u>
Net Cash Used for Operating Activities	<u><u>(\$232,693)</u></u>	<u><u>(\$1,733)</u></u>	<u><u>(\$234,426)</u></u>

See Accompanying Notes to the General Purpose Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (BUDGETARY BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

	<u>Enterprise Funds</u>			<u>Internal Service Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Tuition	\$1,220	\$1,220				
Sales	720,348	720,348				
Interest	2,970	2,970				
Operating Grants	261,502	261,502				
Other Revenues	4,598	4,604	\$6			
Total Revenues	<u>990,638</u>	<u>990,644</u>	<u>6</u>			
Expenses:						
Salaries	399,575	399,575				
Fringe Benefits	175,757	175,757				
Purchased Services	43,298	43,162	136	\$1,733	\$1,733	
Materials and Supplies	340,821	340,237	584			
Capital Outlay	1,724	1,724				
Other Expenses	1,483	1,483				
Total Expenses	<u>962,658</u>	<u>961,938</u>	<u>720</u>	<u>1,733</u>	<u>1,733</u>	
Excess of Revenues Over (Under) Expenses	27,980	28,706	726	(1,733)	(1,733)	
Fund Balances at Beginning of Year	150,065	150,065		1,733	1,733	
Prior Year Encumbrances Appropriated	519	519				
Fund Balances at End of Year	<u>\$178,564</u>	<u>\$179,290</u>	<u>\$726</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See Accompanying Notes to the General Purpose Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wapakoneta City School District (the "District") is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally-elected Board form of government consisting of five members elected at-large for staggered four year terms. The District provides educational services as authorized by state statute and/or federal guidelines.

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred fifty-five square miles. It is located in Auglaize County, and includes all of the City of Wapakoneta and portions of surrounding townships. It is staffed by one hundred twenty-six classified employees, one hundred seventy-nine certified teaching personnel, and eleven administrative employees who provide services to 3,334 students and other community members. The District currently operates six instructional buildings and an administration/garage building.

A. Reporting Entity

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

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District does not have any component units.

The following activities are included within the reporting entity:

Parochial School - Within the District boundaries, the St. Joseph Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to the parochial school. The money is received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity is reflected in a special revenue fund of the District for financial reporting purposes.

The District participates in six jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Ohio Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Education Purchasing Cooperative, and the NOACSC Workers' Compensation Group Rating Plan. These organizations are presented in Notes 22 and 23 to the general-purpose financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Fund Types:

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

General Fund

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

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects or expendable trusts) that are legally restricted to expenditure for specified purposes.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt Service Fund

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

Capital Projects Funds

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

2. Proprietary Fund Types:

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

Enterprise Funds

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

Internal Service Fund

The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

3. Fiduciary Fund Types:

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds include expendable trust and agency funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups:

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, except those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District, except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

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

All proprietary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

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

The modified accrual basis of accounting is followed for the governmental fund types, expendable trust and agency funds. The full accrual basis of accounting is followed for the proprietary fund types.

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 the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, payment in lieu of taxes, grants, interest, tuition, student fees, and rent.

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

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

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

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function and fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The District did not budget for the Employee Health Benefits expendable trust fund because no cash activity was anticipated for fiscal year 2001.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Tax Budget:

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

By no later than January 20, the Board-adopted budget is filed with the Auglaize County Budget Commission for rate determination.

2. Estimated Resources:

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates, as determined by the County Budget Commission, and receives the commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure.

On or about July 1, the certificate of estimated resources is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate of estimated resources may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate of estimated resources issued during fiscal year 2001.

3. Appropriations:

Upon receipt from the County Auditor of an amended certificate of estimated resources, based on final assessed values and tax rates, or a certificate saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission, and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control.

The Board may pass supplemental fund appropriations as long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriation resolutions were legally enacted. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions must be approved by the Board of Education.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts passed during the fiscal year. Formal budgetary integration is employed as a management control device during the year for all funds, other than agency funds, consistent with statutory provisions.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Encumbrances:

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation, and to determine and maintain legal compliance. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental fund types and expendable trust funds and reported in the notes to the financial statements for proprietary fund types.

5. Lapsing of Appropriations:

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

D. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" and "Restricted Assets: Equity in Pooled Cash and Cash Equivalents" on the combined balance sheet.

The District holds monies in a separate account for the remaining balance of a terminated self-insurance program. This amount is reflected as "Cash and Cash Equivalents in Segregated Accounts".

During fiscal year 2001, investments included repurchase agreements, non-negotiable certificates of deposit, federal agency securities, and STAR Ohio. Repurchase agreements and non-negotiable certificates of deposit are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2001.

The District allocates interest according to State statutes. Interest revenue credited to the General Fund during fiscal year 2001 was \$460,055, which included approximately \$88,000 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months, and not purchased from the pool, are reported as investments.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Inventory

Inventory in the proprietary funds is stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventory consists of donated and purchased food and is expensed when used.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2001, 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 in which services are consumed.

G. Restricted Assets

Restricted assets in the General Fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets represent amounts required by State statute to be set aside to create reserves. See Note 20 for the calculation of the year-end restricted assets balance and the corresponding fund balance reserves.

Restricted assets in the Employee Health Benefits expendable trust fund represent monies restricted for employee health care benefits. In prior years, this fund was used for a self-insurance health care program. The program was terminated and due to the program's trust agreements, the balances must be held and used for the benefit of the employees.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

Fixed assets utilized in the proprietary funds are capitalized in the respective fund. All fixed 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 value as of the date received. The District maintains a capitalization threshold of five thousand dollars. The District does not have any infrastructure.

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. Improvements are capitalized. Improvements to proprietary fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the proprietary funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Assets/Liabilities

Short-term interfund loans are classified as "Interfund Receivables/Payables". Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Due from/to Other Funds" on the combined balance sheet. Long-term interfund loans are classified as "Advances to/from Other Funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets.

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy. The District records a liability for accumulated unused sick leave for all employees after twenty years of service with the District.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, compensated absences and contractually required pension contributions that will be paid from governmental funds are reported as liabilities in the general long-term obligations account group to the extent that they will not be paid with current available expendable resources. Payments made more than sixty days after fiscal year end are considered not to have used current available expendable resources. Long-term loans and bonds are reported as liabilities in the general long-term obligations account group until due.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Contributed Capital

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

M. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for property taxes, budget stabilization, advances, 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. The reserve for budget stabilization represents monies required to be set aside by State statute to protect against cyclical changes in revenues and expenditures.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Use of Estimates

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

P. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the District has implemented Governmental Accounting Standards Board (GASB) Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues". These statements establish accounting and financial reporting standards for nonexchange transactions involving financial or capital resources. The timing for the recognition of assets, liabilities, and expenditures/expenses resulting from nonexchange transactions will be the same whether the accrual or the modified accrual basis of accounting is required. However, for revenue recognition to occur on the modified accrual basis, the criteria established for accrual basis revenue recognition must be met and the revenues must be available. For the District, the implementation of these statements had no effect on fund balances/retained earnings as previously reported for the fiscal year ended June 30, 2000.

For fiscal year 2001, the District has increased the threshold amount for capitalizing fixed assets. The threshold amount was increased from \$500 to \$5,000.

4. RESTATEMENT OF FUND EQUITY

Fixed assets and accumulated depreciation in the enterprise funds increased due to a reappraisal of fixed assets. Fixed assets increased \$56,784, from \$501,205 to \$557,989, and accumulated depreciation increased \$171,022, from \$266,368 to \$437,390. As a result of the restatement, retained earnings as previously reported as of June 30, 2000, decreased \$114,238, from \$214,585 to \$100,347.

In addition to changing the threshold amount for capitalizing fixed assets, the District reappraised all of their fixed assets. The fixed assets reported in the general fixed assets account group decreased \$5,426,583, from \$29,749,749 to \$24,323,166.

5. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

The following funds had deficit fund balances at June 30, 2001:

Fund Type/Fund	Deficit
Special Revenue Fund	
Reducing Class Size	\$4,122
Capital Projects Funds	
Disability Access	5,641
Emergency Building Repair	50,000

The deficits were created by the application of generally accepted accounting principles, and expending in excess of available resources. The General Fund provides advances/transfers to cover deficit balances; however, this is normally done when cash is needed rather than when accruals occur.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

5. ACCOUNTABILITY AND COMPLIANCE (Continued)

B. Compliance

The Disability Access capital projects fund had appropriations in excess of estimated resources plus available balances, in the amount of \$100,000.

The Title VI-B and the Drug Free special revenue funds, and the Disability Access capital project fund had deficit cash balances of \$14,198, \$3,639 and \$90,000, respectively. An interfund receivable/payable was established between the general fund and the above funds to eliminate the deficit cash balances for financial reporting (See Note 13).

The Employee Health Benefits expendable trust fund non-instructional services account had expenditures in excess of appropriations for the fiscal year ended June 30, 2001, in the amount of \$7,708.

6. BUDGETARY BASIS OF ACCOUNTING

While the 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 Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Governmental and Similar Fiduciary Fund Types and the Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual (Budgetary Basis) - All Proprietary Fund Types are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

- a. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- b. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
- c. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and expendable trust funds and as note disclosure in the proprietary fund types (GAAP basis).
- d. The District does not budget for the activities of the employee health benefits trustee account (budget basis); however, this activity is included in the expendable trust fund for GAAP reporting.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

6. BUDGETARY BASIS OF ACCOUNTING (Continued)

Excess of Revenues and Other Financing Sources Over (Under) Expenditures All Governmental and Similar Fiduciary Fund Types					
Governmental Fund Types					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$665,516	\$20,735	\$65,812	\$727,189	\$36,861
Revenue Accruals	(28,505)	(52,678)	(3,993)	(131,939)	0
Expenditure Accruals	243,242	(1,747)	0	(106,331)	0
Cash on Hand at Beginning of Year	312	0	0	266	0
Cash on Hand at End of Year	(2,370)	(73)	0	0	0
Prepaid Items	(8,217)	(101)	0	0	0
Excess of Revenues Over Expenditures for Nonbudgeted Funds	0	0	0	0	(36,861)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(884,900)	(36,429)	0	(125,081)	0
Budget Basis	<u>(\$14,922)</u>	<u>(\$70,293)</u>	<u>\$61,819</u>	<u>\$364,104</u>	<u>\$0</u>

**Net Loss/Excess of Revenues Over Expenses
Proprietary Fund Type**

	<u>Enterprise</u>
GAAP Basis	(\$30,871)
Revenue Accruals	30,833
Expense Accruals	5,847
Cash on Hand at End of Year	10
Inventory Held for Resale	357
Materials and Supplies Inventory	(538)
Prepaid Items	779
Depreciation Expense	25,372
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(3,083)
Budget Basis	<u>\$28,706</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes, 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 obligation or security 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 the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and 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) 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);

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated 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 District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At fiscal year end, the District had \$1,360 in undeposited cash on hand which is included on the combined balance sheet of the District as part of "Equity in Pooled Cash and Cash Equivalents."

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

At fiscal year end, the carrying amount of the District's deposits was \$2,490,297 and the bank balance was \$3,019,114. Of the bank balance, \$211,487 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

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

	Category 3	Carrying Value	Fair Value
Federal Home Loan Bank Bonds	\$502,900	\$502,900	\$502,900
Repurchase Agreements		248,405	248,405
STAR Ohio		4,704,753	4,704,753
Totals		\$5,456,058	\$5,456,058

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

7. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the combined balance sheet and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$7,947,715	\$0
Cash on Hand	(1,360)	0
Investments:		
Federal Home Loan Bank Bonds	(502,900)	502,900
Repurchase Agreements	(248,405)	248,405
STAR Ohio	(4,704,753)	4,704,753
GASB Statement No. 3	\$2,490,297	\$5,456,058

8. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the 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 property, public utility property, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2001 represent the collection of calendar year 2000 taxes. Real property taxes received in calendar year 2001 are levied after April 1, 2000, on the assessed values as of January 1, 2000, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the assessed values as of December 31, 1999, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2001 (other than public utility property) represent the collection of calendar year 2001 taxes. Tangible personal property taxes received in calendar year 2001 were levied after April 1, 2000, on the value as of December 31, 2000. Tangible personal property is currently assessed at 25 percent of true value. 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

8. PROPERTY TAXES (Continued)

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2001, are available to finance fiscal year 2001 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2001, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is recognized as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations.

The amount available as an advance at June 30, 2001, was \$234,689 in the General Fund, \$47,880 in the Bond Retirement debt service fund, and \$8,000 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2000, was \$209,387 in the General Fund, \$43,887 in the Bond Retirement debt service fund, and \$7,063 in the Permanent Improvement capital projects fund.

The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$221,675,990	83.81%	\$226,205,540	83.13%
Public Utility	14,847,470	5.61	15,425,220	5.67
Tangible Personal	27,972,660	10.58	30,469,390	11.2
Total Assessed Value	<u>\$264,496,120</u>	<u>100.00%</u>	<u>\$272,100,150</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.70		\$30.70	

9. INCOME TAXES

The District levies a voted tax of .50 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .50 percent portion of the tax was effective on January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and the Permanent Improvement capital projects fund.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

10. PAYMENT IN LIEU OF TAXES

As provided by State law, the District has entered into agreements with a number of property owners under which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2001 were \$50,000.

11. RECEIVABLES

Receivables at June 30, 2001, consisted of both property and income taxes, accounts (rent, billings for user charged services, and student fees), intergovernmental, accrued interest, interfund, and charges to other funds for services provided. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, the current year guarantee of federal funds, and the District's policy on collecting student fees. Accounts receivable at June 30, 2001, were \$29,536.

A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Erate	\$1,274
Reimbursements	731
Total General Fund	2,005
Special Revenue Funds	
Vocational Education	1,168
Title VI-B	46,079
Title I	8,196
Title VI	5,489
Drug Free	3,639
Total Special Revenue Funds	64,571
Capital Projects Funds	
Vocational Equipment	2,347
Interactive Video Distance Learning	31,500
Disability Access	84,359
Total Capital Projects Funds	118,206
Enterprise Fund	
Food Service	83
Total Intergovernmental Receivables	\$184,865

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

12. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

Furniture and Equipment	\$557,989
Less Accumulated Depreciation	<u>(462,762)</u>
Net Fixed Assets	<u><u>\$95,227</u></u>

A summary of the changes in general fixed assets during fiscal year 2001 follows:

Asset Category	Balance at 6/30/2000	Additions	Reductions	Balance at 6/30/2001
Land and Improvements	\$680,417	\$18,500	\$7,854	\$691,063
Buildings and Improvements	19,111,976	164,426	25,463	19,250,939
Improvements Other Than Buildings	713,504	86,490	0	799,994
Furniture, Fixtures, and Equipment	1,446,448	136,469	25,896	1,557,021
Vehicles	2,007,934	216,212	126,386	2,097,760
Construction in Progress	362,887	0	362,887	0
Totals	<u>\$24,323,166</u>	<u>\$622,097</u>	<u>\$548,486</u>	<u>\$24,396,777</u>

13. INTERFUND ASSETS/LIABILITIES

As of June 30, 2001, receivables and payables that resulted from various interfund transactions were as follows:

	Interfund		Due from/to Other Funds		Advances to/from Other Funds	
	Receivable	Payable	Receivable	Payable	Receivable	Payable
General Fund	\$107,837	\$0	\$25	\$0	\$50,000	\$0
Special Revenue						
Public School Support	0	0	0	25	0	0
Title VI-B	0	14,198	0	0	0	0
Drug Free	0	3,639	0	0	0	0
Total Special Revenue	<u>0</u>	<u>17,837</u>	<u>0</u>	<u>25</u>	<u>0</u>	<u>0</u>
Capital Projects						
Disability Access	0	90,000	0	0	0	0
Emergency Building	0	0	0	0	0	50,000
Total Capital Projects	<u>0</u>	<u>90,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>50,000</u>
Totals	<u>\$107,837</u>	<u>\$107,837</u>	<u>\$25</u>	<u>\$25</u>	<u>\$50,000</u>	<u>\$50,000</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, the District contracted for the following insurance coverage:

Coverage provided by Midwestern Indemnity Company is as follows:

Building and Contents - Replacement Cost (\$1,000 deductible)	\$45,866,003
Equipment Breakdown - Hazardous Substances	25,000
Equipment Breakdown - CFC Refrigerants	100,000
Commercial Crime	17,500
EDP Equipment (\$250 deductible)	531,671
Miscellaneous Equipment (\$250 deductible)	140,809
Band Uniforms (\$250 deductible)	128,895
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefits Liability	
Per Occurrence (\$1,000 deductible)	1,000,000
Aggregate	3,000,000
Employers Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
School Leaders Errors and Omissions	
Per Occurrence (\$1,000 deductible)	1,000,000
Aggregate	1,000,000
Sexual Misconduct and Molestation	
Per Occurrence	1,000,000
Aggregate	1,000,000
Commercial Umbrella Liability	
Per Occurrence (\$10,000 deductible)	5,000,000

Coverage provided by Mid-American Fire and Casualty Company is as follows:

Automobile Liability	1,000,000
Auto Medical Payments per Person	5,000

Coverage provided by Cincinnati Insurance Company is as follows:

Crime (\$250 deductible)	5,000
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Settled claims have not exceeded this commercial coverage in any of the past three years, and there has been no significant reduction in coverage from the prior fiscal year.

For fiscal year 2001, the District participated in the NOACSC Workers' Compensation Group Rating Plan (the Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan. Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the plan.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

14. RISK MANAGEMENT (Continued)

A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Acordia Workers' Compensation Services provides administrative, cost control, and actuarial services to the Plan.

15. CONTRACTUAL OBLIGATIONS

As of June 30, 2001, the District had the following contractual obligations:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
Steinke Concrete Construction, Inc.	Sidewalk Repair	\$18,121
Buehler Asphalt Paving	Parking Lot Repairs	27,950
Greve Drywall and Painting	Painting	58,639
Smith Insta-Shade	Steel Fencing	15,302
Frost and Company	Room Repair	20,500
Ultimate Systems Ltd.	Rubber Padding	15,295
Northwestern Ohio Security	Server	31,446
Heyne Construction	Weight Room	36,126
Frost and Company	Plumbing Renovations	12,641
Com Net Inc.	Computer Switch Upgrade	<u>20,745</u>
Total		<u>\$256,765</u>

16. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

16. DEFINED BENEFIT PENSION PLANS (Continued)

The District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$796,160, \$495,978, and \$470,702, respectively; 82 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$142,470, is recorded as a liability within the respective funds.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 4.2 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 5.5 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$97,797, \$118,638, and \$163,705, respectively; 44 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. The unpaid contribution for fiscal year 2001, in the amount of \$54,432, is recorded as a liability within the respective funds and the general long-term obligations account group.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate State Retirement System. As of December 31, 2001, three members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

17. POSTEMPLOYMENT BENEFITS

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

17. POSTEMPLOYMENT BENEFITS (Continued)

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$377,128.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,419 million at June 30, 2000 (the latest information available). For the fiscal year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000, and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$278,207 for fiscal year 2001.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340, and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

18. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. The superintendent, business manager, and treasurer earn twenty days of vacation per contract period. Accumulated unused vacation time is paid to the classified employees, the superintendent, business manager, and treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for teachers and administrators, and two hundred thirty days for classified employees. Upon retirement, payment is made for one-fifth of accrued, but unused sick leave credit for teachers and administrators. Classified employees are paid one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-seven and one-half days. For classified employees, severance pay is paid prior to February 1, in the year following retirement.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

18. OTHER EMPLOYEE BENEFITS (Continued)

B. Health Care Benefits

The District provides employee medical and dental insurance benefits through Anthem Blue Cross/Blue Shield. The employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. The District provides life insurance to all employees through Community National.

C. Early Retirement Incentive

The School District has approved an early retirement incentive program. Participation in the plan is voluntary. Any qualifying bargaining unit member is provided an opportunity to participate in the retirement incentive program. In order to be eligible, the certificated employee:

- ◆ Must have ten or more years of service with the District as a member of the bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement;
- ◆ Must have 30 years membership under STRS;
- ◆ Must give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement under STRS.

Teachers meeting the requirements shall receive an amount equal to one day severance pay for each year of service to the District, not to exceed thirty days. The District will pay the incentive to qualifying bargaining unit members in one lump sum payment. Such payment shall be made no later than twelve months following the effective date of separation.

19. LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2001 were as follows:

	<u>Balance at 6/30/2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2001</u>
<u>General Long-Term Obligations</u>				
1988, 0% Asbestos Removal Loan	\$42,013	\$0	\$7,639	\$34,374
1990, 0% Asbestos Removal Loan	81,157	0	10,821	70,336
1987, 8.25% High School Bonds	5,625,000	0	625,000	5,000,000
Total Long-Term Obligations	<u>5,748,170</u>	<u>0</u>	<u>643,460</u>	<u>5,104,710</u>
Compensated Absences Payable	688,804	82,675	0	771,479
Intergovernmental Payable	115,689	54,863	115,689	54,863
Total General Long-Term Obligations	<u>\$6,552,663</u>	<u>\$137,538</u>	<u>\$759,149</u>	<u>\$5,931,052</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

19. LONG-TERM OBLIGATIONS (Continued)

Asbestos Removal Loans - In 1988, the District began an asbestos removal program throughout all of the District's buildings. Three asbestos removal loans totaling \$372,372 were received from the federal government. The loans were issued with varying maturities from ten to nineteen years, with a final maturity on December 30, 2007. The loans are being retired from the Bond Retirement debt service fund.

High School General Obligation Bonds - On December 1, 1987, the District issued \$12,500,000 in voted general obligation bonds for constructing a high school. The bonds were issued for a twenty-one year period, with final maturity on December 1, 2008. The bonds are being retired from the Bond Retirement debt service fund.

Compensated absences and intergovernmental payables, representing the District's contractually required pension contributions, will be paid from the fund from which the employees' salaries are paid. The change in compensated absences is presented at net because it is not practical to determine the actual increase and decrease.

The District's overall debt margin was \$20,405,933 with an unvoted debt margin of \$272,100 at June 30, 2001.

Principal and interest requirements to retire general obligation debt outstanding at June 30, 2001, were as follows:

Fiscal year Ending June 30,	Asbestos Loans	General Obligation Principal	General Obligation Interest	Total
2002	\$18,460	\$625,000	\$386,719	\$1,030,179
2003	18,460	625,000	335,156	978,616
2004	18,460	625,000	283,594	927,054
2005	18,460	625,000	232,031	875,491
2006	14,640	625,000	180,469	820,109
2007-2008	16,230	1,875,000	232,031	2,123,261
Total	<u>\$104,710</u>	<u>\$5,000,000</u>	<u>\$1,650,000</u>	<u>\$6,754,710</u>

20. SET ASIDE REQUIREMENTS

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. These amounts must be carried forward to be used for the same purposes in future years. In prior years, the District was also required to set aside money for budget stabilization. For fiscal year 2001, only the unspent portion of certain workers' compensation refunds continues to be set aside at fiscal year end.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

20. SET ASIDE REQUIREMENTS (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements and budget stabilization during fiscal year 2001.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2000	(\$400,797)	\$0	\$128,042
Current Year Set Aside Requirement	393,964	393,964	0
Legislative Reduction	0	0	(65,724)
Current Year Offsets	0	(393,964)	0
Qualifying Expenditures	(937,907)	0	0
Amount Carried Forward to Fiscal Year 2002	<u>(\$944,740)</u>	<u>\$0</u>	<u>\$62,318</u>
Set Aside Reserve Balance June 30, 2001	<u>\$0</u>	<u>\$0</u>	<u>\$62,318</u>

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

21. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The District maintains two enterprise funds to account for the operations of food service and adult education. The table below reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2001.

	<u>Food Service</u>	<u>Adult Education</u>	<u>Total Enterprise Funds</u>
Operating Revenues	\$724,718	\$1,220	\$725,938
Depreciation Expense	25,372	0	25,372
Operating Loss	(375,254)	(210)	(375,464)
Federal Donated Commodities	110,730	0	110,730
Operating Grants	230,893	0	230,893
Net Loss	(30,661)	(210)	(30,871)
Net Working Capital	55,304	0	55,304
Total Assets	329,138	0	329,138
Total Equity	136,610	0	136,610
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	3,083	0	3,083

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta.

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 educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

Apollo Joint Vocational School - The Apollo Joint Vocational School is a distinct political subdivision of the State of Ohio which provides vocational education to students. The Joint Vocational School is operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards. The Board is its own budgeting and taxing authority. Financial information can be obtained from the Apollo Joint Vocational School, Greg Bukowski, who serves as Treasurer, at 3325 Shawnee Road, Lima, Ohio 45806.

West Central Ohio Regional Professional Development Center - The West Central Ohio Regional Professional Development Center (the Center) is a jointly governed organization among the school districts located in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities than are tied directly to school improvement, and in particular, to improvements in instructional programs.

The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Brad Browne, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

Northwestern Ohio Education 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 a twenty-five county area in 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., Box 456, Ashland, Ohio 44805.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

22. JOINTLY GOVERNED ORGANIZATIONS (Continued)

West Central Ohio Special Education Regional Resource Center - The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

Southwestern Ohio Educational Purchasing Council - The Southwestern Ohio Educational Purchasing Council (SOEPC) is a purchasing cooperative made up of nearly 100 school districts in 12 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the SOEPC.

Each member district has one voting representative. Title to any and all equipment, furniture and supplies purchased by the SOEPC is held in trust for the member districts. Any district withdrawing from the SOEPC shall forfeit its claim to any and all SOEPC assets. One year prior notice is necessary for withdrawal from the group. During this time, the withdrawing member is liable for all member obligations. Payments to SOEPC are made from the general fund. During fiscal year 2001, the District paid \$270 to SOEPC. To obtain financial information, write to the Southwestern Ohio Educational Purchasing Council, Robert Brown, who serves as Director, at 1831 Harshman Road, Dayton, Ohio 45424.

23. INSURANCE POOL

NOACSC Workers' Compensation Group Rating Plan - The District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (the Plan) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool.

The Safety Coordinator, Robert Lotz of NOACSC, or his designee serves as coordinator of the Plan. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

24. GRANTS

The 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2001.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2001
(Continued)**

25. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution was not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision will result in an increase in State funding for most Ohio school districts. However, as of January 10, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Supreme Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Distribution Program		10.550		\$117,421		\$110,730
National School Breakfast Program	05-PU	10.553	\$15,123		\$15,123	
National School Lunch Program	04-PU	10.555	235,367		235,367	
Total U.S. Department of Agriculture - Nutrition Cluster			250,490	117,421	250,490	110,730
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Part A, IASA	C1-S1-01	84.010	232,697		188,969	
Title I, Part A, IASA	C1-S1-00	84.010	15,715		37,299	
Total Title I, Part A, IASA			248,412		226,268	
Title VI-B, Special Education Grants to States	6B-SF-01	84.027	178,080		192,278	
Title VI-B, Special Education Grants to States	6B-SF-00	84.027	33,532		30,482	
Total Title VI-B			211,612		222,760	
Drug Free Education	DR-S1-01	84.186	9,845		13,484	
Title VI, Innovative Education Program Strategies	C2-S1-01	84.298	11,449		5,643	
Title VI, Innovative Education Program Strategies	C2-S1-00	84.298	14,776		13,318	
Total Title VI			26,225		18,961	
Dwight D. Eisenhower Mathematics and Science Grants	MS-S1-01	84.281	11,884		2,930	
Dwight D. Eisenhower Mathematics and Science Grants	MS-S1-00	84.281	8,689		12,413	
Total Eisenhower Professional Development State Grants			20,573		15,343	
Title VI-R, Reducing Class Size	CR-S1-01	84.340	56,371		51,311	
Title VI-R, Reducing Class Size	CR-S1-00	84.340	3,557		7,113	
Total VI-R			59,928		58,424	
Technology Literacy Challenge	TF - 31	84.318			18,562	
Total U.S. Department of Education			576,595		573,802	
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
Learn and Serve	SV-S3	94.004	(1,089)			
Learn and Serve	SV-S3	94.004	15,000		13,762	
Total Learn and Serve Grant			13,911		13,762	
Total U.S. Department of Labor			13,911		13,762	
Total Federal Assistance			<u>\$840,996</u>	<u>\$117,421</u>	<u>\$838,054</u>	<u>\$110,730</u>

See Accompanying Notes to the Schedule of Federal Awards Expenditures

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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.

NOTE C - MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-Federal funds (matching funds) to support the Federally-funded programs. The expenditure of non-Federal matching funds is not included on the Schedule.

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

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

We have audited the financial statements of Wapakoneta City School District, Auglaize County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated January 10, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 10, 2002.

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 10, 2002.

Wapakoneta City School District
Auglaize County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 10, 2002



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

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

Compliance

We have audited the compliance of Wapakoneta City School District, Auglaize 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 its major federal program for the year ended June 30, 2001. The District's major federal program is 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 its major federal program 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 respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2001.

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.

**Internal Control Over Compliance
(Continued)**

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

Jim Petro
Auditor of State

January 10, 2002

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

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 non-compliance 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):	Nutrition Cluster - CFDA #'s 10.550, 10.553 and 10.555
(d)(1)(viii)	Dollar Threshold: Type AIB Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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WAPAKONETA CITY SCHOOL DISTRICT

AUGLAIZE 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
FEBRUARY 7, 2002**