



**Auditor of State  
Betty Montgomery**



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Wapakoneta City School District  
Auglaize County  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the School District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, as of June 30, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended June 30, 2005, the School District revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2006, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



**Betty Montgomery**  
Auditor of State

January 25, 2006

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED**

The discussion and analysis of Wapakoneta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2005, within the limitations of modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

**HIGHLIGHTS**

Key highlights for fiscal year 2005 are as follows:

In total, net assets increased \$723,509, or 8 percent, a somewhat significant change from the prior fiscal year. This increase is reflected almost entirely in the General Fund, which experienced a 14 percent increase in fund balance.

The School District's general receipts, those being primarily property taxes, income taxes, and unrestricted state entitlements, were 84 percent of the total cash received during the fiscal year. Dependence on these three revenue sources is significant.

**Using The Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the School District's modified cash basis of accounting.

The School District has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and the related assets and liabilities. Under the School District's modified cash basis of accounting, receipts and disbursements and the related assets and liabilities are recorded when they result in cash transactions.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

The statement of net assets and the statement of activities provide information about the cash activities of the School District as a whole.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds, with all other nonmajor funds presented in total in a single column. For Wapakoneta City School District, the General Fund, the Bond Retirement debt fund, and the Permanent Improvement capital projects fund are the most significant funds.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Reporting The School District As A Whole**

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2005, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end.

The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the School District's general receipts.

These statements report the School District's cash position and the changes in cash position. Factors which contribute to these changes may also include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, the School District presents all of its activities as governmental activities. All of the School District's programs and services are reported here including instruction, support services, non-instructional services, extracurricular activities, and capital outlay disbursements.

**Reporting The School District's Most Significant Funds**

Fund financial statements provide detailed information about the School District's major funds. While the School District uses many funds to account for its financial transactions, the fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the modified cash basis accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**The School District As A Whole**

Table 1 provides a summary of the School District's net assets for fiscal year 2005 and fiscal year 2004:

	<b>Table 1 Net Assets</b>	
	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$9,672,838	\$8,949,329
<b>Net Assets:</b>		
Restricted	3,591,339	4,301,919
Unrestricted	6,081,499	4,647,410
<b>Total Net Assets</b>	<b>\$9,672,838</b>	<b>\$8,949,329</b>

As mentioned previously, total net assets increased \$723,509, or 8 percent. A combination of factors contributed to the increase in cash and cash equivalents. The School District experienced an increase in state and federal funding for fiscal year 2005. In addition, the Buckland Elementary School was closed at the conclusion of the 2004 school year. Not only did this result in operational and maintenance savings, a number of staff positions were eliminated as a result of the closing including one principal, one custodian, one cafeteria manager, and one secretarial position. Some shifting of students also occurred in fiscal year 2005 with fifth grade students moving to the Middle School and eight grade students moving to the High School.

Table 2 reflects the changes in net assets for fiscal year 2005. Since the School District did not prepare financial statements according to this basis of accounting in the prior fiscal year, a comparative analysis of government-wide data has not been presented. In future years, when prior fiscal year information is available, a comparative analysis will be presented.

<b>Table 2 Change in Net Assets</b>	
	<b>Governmental Activities 2005</b>
Program Receipts	
Charges for Services	\$1,181,826
Operating Grants, Contributions, and Interest Receipts:	2,893,558
Capital Grants, Contributions, and Interest	4,790
Total Program Receipts	4,080,174

(Continued)

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

**Table 2  
Change in Net Assets  
(Continued)**

	<b>Governmental Activities 2005</b>
<b>Receipts (continued):</b>	
General Receipts	
Property Taxes Levied for General Purposes	\$ 5,487,990
Property Taxes Levied for Permanent Improvements	184,695
Property Taxes Levied for Debt Service	835,704
Income Taxes Levied for General Purposes	1,626,332
Income Taxes Levied for Permanent Improvements	801,028
Payment in Lieu of Taxes	115,500
Grants and Entitlements	11,960,448
Interest	204,504
Rent	10,361
Gifts and Donations	13,350
Miscellaneous	22,955
Total General Receipts	21,262,867
Total Receipts	25,343,041
<b>Disbursements:</b>	
Instruction:	
Regular	11,426,572
Special	1,638,897
Vocational	364,206
Adult/Continuing	1,031
Support Services:	
Pupils	1,180,683
Instructional Staff	954,503
Board of Education	17,956
Administration	1,697,819
Fiscal	501,554
Operation and Maintenance of Plant	1,964,651
Pupil Transportation	1,268,385
Central	70,946
Non-Instructional Services	1,236,299
Extracurricular Activities	502,741
Capital Outlay	917,798
Debt Service:	
Principal Retirement	643,460
Interest and Fiscal Charges	232,031
Total Disbursements	24,619,532
<b>Increase in Net Assets</b>	<b>\$ 723,509</b>

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

Program receipts only represent 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, cafeteria sales, and extracurricular activities admissions. As stated previously, general receipts represent 84 percent of the School District's total receipts, and of this amount, a little more than 56 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts (42 percent). Other receipts, such as interest and rent are very insignificant and somewhat unpredictable revenue sources.

The major program disbursements for governmental activities are for instruction, which accounts for 55 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 14 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 8 percent. Therefore, approximately 77 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

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

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
Instruction:		
Regular	\$11,426,572	\$10,400,341
Special	1,638,897	151,172
Vocational	364,206	258,987
Adult/Continuing	1,031	-
Support Services:		
Pupils	1,180,683	1,180,683
Instructional Staff	954,503	954,503
Board of Education	17,956	17,956
Administration	1,697,819	1,693,419
Fiscal	501,554	501,554
Operation and Maintenance of Plant	1,964,651	1,964,651
Pupil Transportation	1,268,385	1,252,684
Central	70,946	46,056
Non-Instructional Services	1,236,299	56,229
Extracurricular Activities	502,741	267,834
Capital Outlay	917,798	917,798
Debt Service:		
Principal Retirement	643,460	643,460
Interest and Fiscal Charges	232,031	232,031
<b>Total Disbursements</b>	<b>\$24,619,532</b>	<b>\$20,539,358</b>

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
UNAUDITED  
(Continued)**

The dependence upon tax receipts and unrestricted state entitlements is apparent as 83 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities are largely provided for through program receipts, by almost 91 percent. This is the result of operating grants and contributions restricted for special instruction purposes. Over 95 percent of non-instructional services disbursements (primarily food services) were covered by program receipts for fiscal year 2005. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Almost 47 percent of extracurricular activities disbursements are covered by program receipts. This is the result of music and athletic fees, ticket sales, and gate receipts.

**The School District's Funds**

The School District's governmental funds are accounted for using the modified cash basis of accounting. The General Fund accounted almost entirely for the overall increase in fund balance of \$723,509. The General Fund saw increases in all major revenue sources, such as property taxes, income taxes, and unrestricted state entitlements. In addition, disbursements were lower than the prior fiscal year. Receipts from the voted property tax levy recorded in the Bond Retirement debt service fund were sufficient to cover debt service requirements. The School District's disbursements for the replacement or purchase of new equipment were almost entirely covered by voted property and income tax receipts collected within the fiscal year.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. During fiscal year 2005, the School District amended its General Fund budget as needed. While there was a substantial change from the original budgeted receipts to the final budget (relating to the estimates for intergovernmental revenues), the change from the final budget to actual receipts was not significant. The change in disbursements from original to final budget was not significant. The 4 percent reduction in actual disbursements is due, in large part, to the closing of Buckland Elementary School.

**DEBT ADMINISTRATION**

At June 30, 2005, the School District's outstanding debt included general obligation bonds, in the amount of \$2,500,000, and asbestos removal loans, in the amount of \$30,871. For further information regarding the School District's long-term obligations, refer to Note 13 to the basic financial statements.

**Current Issues**

Wapakoneta City School District is the 250<sup>th</sup> school district on the Ohio School Facilities Commission list for eligibility for state construction funding. This has prompted the School District to begin discussions of future construction projects within the next three to five years.

**Contacting The School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Rinehart, Treasurer, Wapakoneta City School District, 1102 Gardenia Drive, Wapakoneta, Ohio 45895.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
JUNE 30, 2005**

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$9,672,838</u>
<b>Net Assets:</b>	
Restricted for:	
Capital Projects	\$2,258,230
Debt Service	1,156,454
Other Purposes	176,655
Unrestricted	<u>6,081,499</u>
<b>Total Net Assets</b>	<u><u>\$9,672,838</u></u>

*See accompanying notes to basic financial statements.*

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	Program Cash Receipts			Net (Disbursement) Receipt and Change in Net Assets	
	Cash Disbursements	Charges for Services	Operating Grants, Contributions, and Interest		Capital Grants Contributions, and Interest
<b>Governmental Activities:</b>					
Current:					
Instruction:					
Regular	\$11,426,572	\$266,042	\$755,399	\$4,790	(\$10,400,341)
Special	1,638,897		1,487,725		(151,172)
Vocational	364,206		105,219		(258,987)
Adult/Continuing	1,031		1,031		
Support Services:					
Pupils	1,180,683				(1,180,683)
Instructional Staff	954,503				(954,503)
Board of Education	17,956				(17,956)
Administration	1,697,819	4,400			(1,693,419)
Fiscal	501,554				(501,554)
Operation and Maintenance of Plant	1,964,651				(1,964,651)
Pupil Transportation	1,268,385		15,701		(1,252,684)
Central	70,946		24,890		(46,056)
Non-Instructional Services	1,236,299	718,656	461,414		(56,229)
Extracurricular Activities	502,741	192,728	42,179		(267,834)
Capital Outlay	917,798				(917,798)
Debt Service:					
Principal Retirement	643,460				(643,460)
Interest and Fiscal Charges	232,031				(232,031)
<b>Total Governmental Activities</b>	<b>\$24,619,532</b>	<b>\$1,181,826</b>	<b>\$2,893,558</b>	<b>\$4,790</b>	<b>(20,539,358)</b>
<b>General Receipts:</b>					
Property Taxes Levied for:					
General Purposes					5,487,990
Permanent Improvements					184,695
Debt Service					835,704
Income Taxes Levied for:					
General Purposes					1,626,332
Permanent Improvements					801,028
Payment in Lieu of Taxes					115,500
Grants and Entitlements					
Not Restricted to Specific Programs					11,960,448
Interest					204,504
Rent					10,361
Gifts and Donations					13,350
Miscellaneous					22,955
Total General Receipts					21,262,867
Change in Net Assets					723,509
Net Assets at Beginning of Year					8,949,329
<b>Net Assets at End of Year</b>					<b>\$9,672,838</b>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>					
Equity in Pooled Cash and Cash Equivalents	\$6,081,499	\$1,156,454	\$2,258,230	\$176,655	\$9,672,838
<b>Fund Balances:</b>					
Reserved for Encumbrances	526,675		121,200	7,376	655,251
Unreserved, Reported in:					
General Fund	5,554,824				5,554,824
Special Revenue Funds				169,279	169,279
Debt Service Fund		1,156,454			1,156,454
Capital Projects Funds			2,137,030		2,137,030
<b>Total Fund Balances</b>	<u>\$6,081,499</u>	<u>\$1,156,454</u>	<u>\$2,258,230</u>	<u>\$176,655</u>	<u>\$9,672,838</u>

*See accompanying notes to basic financial statements.*

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS  
FOR FISCAL YEAR ENDED JUNE 30, 2005**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
<b>Receipts:</b>					
Property Taxes	\$5,487,990	\$835,704	\$184,695		\$6,508,389
Income Taxes	1,626,332		801,028		2,427,360
Payment in Lieu of Taxes	115,500				115,500
Intergovernmental	12,754,261	99,129	21,113	1,933,947	14,808,450
Interest	204,504		2,790	1,022	208,316
Tuition and Fees	266,042				266,042
Extracurricular Activities				192,728	192,728
Charges for Services	4,400			718,656	723,056
Rent	10,361				10,361
Gifts and Donations	13,350		2,000	38,089	53,439
Miscellaneous	22,955			6,445	29,400
<b>Total Receipts</b>	<u>20,505,695</u>	<u>934,833</u>	<u>1,011,626</u>	<u>2,890,887</u>	<u>25,343,041</u>
<b>Disbursements:</b>					
Current:					
Instruction:					
Regular	10,839,980		22,408	564,184	11,426,572
Special	1,188,614			450,283	1,638,897
Vocational	363,396			810	364,206
Adult/Continuing				1,031	1,031
Support Services:					
Pupils	1,000,511			180,172	1,180,683
Instructional Staff	825,938			128,565	954,503
Board of Education	17,956				17,956
Administration	1,588,981			108,838	1,697,819
Fiscal	465,387	19,019	17,148		501,554
Operation and Maintenance of Plant	1,964,651				1,964,651
Pupil Transportation	1,150,903		112,989	4,493	1,268,385
Central	46,056			24,890	70,946
Non-Instructional Services				1,236,299	1,236,299
Extracurricular Activities	302,295			200,446	502,741
Capital Outlay			917,798		917,798
Debt Service:					
Principal Retirement		643,460			643,460
Interest and Fiscal Charges		232,031			232,031
<b>Total Disbursements</b>	<u>19,754,668</u>	<u>894,510</u>	<u>1,070,343</u>	<u>2,900,011</u>	<u>24,619,532</u>
Changes in Fund Balances	751,027	40,323	(58,717)	(9,124)	723,509
Fund Balances at Beginning of Year	<u>5,330,472</u>	<u>1,116,131</u>	<u>2,316,947</u>	<u>185,779</u>	<u>8,949,329</u>
<b>Fund Balances at End of Year</b>	<u><u>\$6,081,499</u></u>	<u><u>\$1,156,454</u></u>	<u><u>\$2,258,230</u></u>	<u><u>\$176,655</u></u>	<u><u>\$9,672,838</u></u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGE IN FUND CASH BALANCE  
BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Over (Under)</b>
	<u>Original</u>	<u>Final</u>		<u>(Under)</u>
<b>Receipts:</b>				
Property Taxes	\$5,967,822	\$5,967,823	\$5,487,990	(\$479,833)
Income Taxes	1,499,400	1,631,634	1,626,332	(5,302)
Payment in Lieu of Taxes	116,000	115,500	115,500	
Intergovernmental	17,589,450	12,263,659	12,754,261	490,602
Interest	158,000	190,402	204,504	14,102
Tuition and Fees	245,150	266,042	266,042	
Charges for Services		4,400	4,400	
Rent	9,900	10,361	10,361	
Gifts and Donations	7,500	13,350	13,350	
Miscellaneous	8,800	16,651	16,651	
<b>Total Receipts</b>	<b>25,602,022</b>	<b>20,479,822</b>	<b>20,499,391</b>	<b>19,569</b>
<b>Disbursements:</b>				
Current:				
Instruction:				
Regular	10,354,393	10,060,528	9,857,520	203,008
Special	1,560,006	1,257,487	1,188,614	68,873
Vocational	326,633	390,654	375,591	15,063
Other	1,099,019	1,152,901	1,114,223	38,678
Support Services:				
Pupils	1,098,765	1,095,293	1,060,565	34,728
Instructional Staff	996,028	978,419	856,995	121,424
Board of Education	17,606	18,807	18,048	759
Administration	1,651,953	1,592,834	1,590,728	2,106
Fiscal	493,919	481,988	473,218	8,770
Operation and Maintenance of Plant	2,157,529	2,489,889	2,245,058	244,831
Pupil Transportation	1,178,380	1,182,201	1,159,525	22,676
Central	109,000	133,663	46,056	87,607
Non-Instructional Services	4,000			
Extracurricular Activities	328,502	309,295	302,295	7,000
<b>Total Disbursements</b>	<b>21,375,733</b>	<b>21,143,959</b>	<b>20,288,436</b>	<b>855,523</b>
Excess of Receipts Over (Under) Disbursements	4,226,289	(664,137)	210,955	875,092
<b>Other Financing Sources (Uses):</b>				
Sale of Capital Assets	10	853	853	
Refund of Prior Year Expenditures	4,698	5,451	5,451	
Refund of Prior Year Receipts		(438)	(438)	
<b>Total Other Financing Sources (Uses)</b>	<b>4,708</b>	<b>5,866</b>	<b>5,866</b>	
Changes in Fund Balance	4,230,997	(658,271)	216,821	875,092
Fund Balance at Beginning of Year	4,400,317	4,400,317	4,400,317	
Prior Year Encumbrances Appropriated	247,094	247,094	247,094	
<b>Fund Balance at End of Year</b>	<b>\$8,878,408</b>	<b>\$3,989,140</b>	<b>\$4,864,232</b>	<b>\$875,092</b>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS  
AGENCY FUNDS  
JUNE 30, 2005**

**Assets:**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$89,524</u></u>
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**Net Assets:**

Undistributed Assets	<u><u>\$89,524</u></u>
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*See accompanying notes to basic financial statements.*

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

**1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY**

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred-fifty square miles. It is located in Auglaize County. The School District is the 146<sup>th</sup> largest in the State of Ohio (among 611 school districts) in terms of enrollment. It is staffed by one hundred nineteen classified employees, one hundred eighty-two certified teaching personnel, and twelve administrative employees who provide services to three thousand one hundred nineteen students and other community members. The School District currently operates three elementary schools, a middle school, a high school, an administration building, and an operations 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 School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wapakoneta City School District, this includes general operations, food service, and student related activities of the School District.

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

Within the School District's boundaries, St. Joseph Elementary School is operated through the Cincinnati Catholic Diocese. Current State legislation provides funding to the parochial school. These monies are received and disbursed on behalf of the parochial school by the Treasurer of the School District, as directed by the parochial school. This activity is reflected in a special revenue fund of the School District.

The School 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 Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, West Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These financial statements are presented on a modified cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principals include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principals Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless these pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the School District's accounting policies.

**A. Basis of Presentation**

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

**1. Government-Wide Financial Statements**

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the School District's general receipts.

**2. Fund Financial Statements**

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

**B. Fund Accounting**

The School District uses funds to maintain its financial records during the fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the School District are divided into two categories, governmental and fiduciary.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds**

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The School District's major funds are the General Fund, the Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

**Bond Retirement Fund** - The Bond Retirement debt service fund accounts for the accumulation of resources for, and the payment of principal, interest, and related costs of the high school general obligation bonds.

**Permanent Improvement Fund** - The Permanent Improvement capital projects fund accounts for the acquisition, construction, or improvement of capital facilities.

The other governmental funds of the School District account for grants and other resources whose use is restricted to a particular purpose.

**2. Fiduciary Funds**

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

**C. Basis of Accounting**

The School District's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements.

**D. Budgetary Process**

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations resolution, both of which are prepared on the budgetary basis of accounting.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

The certificate of estimated resources may be amended during the fiscal year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Board.

The appropriation resolution is subject to amendment throughout the fiscal year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year.

**E. Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During fiscal year 2005, investments included nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit and the Federal agency securities are reported at cost. 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, 2005.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during fiscal year 2005 was \$204,504, which included \$35,665 assigned from other School District funds.

Investments of the School District's cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Capital Assets**

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

**G. Compensated Absences**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the modified cash basis of accounting used by the School District.

**H. Long-Term Obligations**

Modified cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when disbursements are made.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. As of June 30, 2005, net assets restricted by enabling legislation were \$3,591,339.

The School District's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance Reserves**

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances.

**K. Interfund Activity**

Transfers within governmental activities are eliminated on the government-wide financial statements.

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES**

For fiscal year 2005, the School District changed its method of accounting for financial reporting from a basis of accounting formerly prescribed for school districts by the Auditor of State to a modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis. The School District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The School District also reports long-term investments as assets, valued at cost.

The financial statements now include government-wide financial statements presented on a modified cash basis and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in one column. The government-wide financial statements combine the governmental activities into one column. The beginning net asset amount for government programs reflects the governmental fund balances for governmental funds at June 30, 2004. There was no effect on beginning fund balances at July 1, 2004.

For fiscal year 2005, the School District has implemented GASB Statement No. 40, "*Deposit and Investment Risk Disclosure*" and GASB Statement No. 46, "*Net Assets Restricted by Enabling Legislation*".

GASB Statement No. 40 establishes and modifies the disclosure requirements related to investment risks. The implementation of this statement did not result in any change to the School District's financial statements.

GASB Statement No. 46 defines enabling legislation and specifies how net assets should be reported in the financial statements when there are changes in such legislation. The Statement also requires governments to disclose in the notes to the financial statements the amount of net assets restricted by enabling legislation.

**4. BUDGETARY BASIS OF ACCOUNTING**

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of modified cash, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Cash Receipts, Cash Disbursements, and Change in Fund Balance - Budget and Actual - Budget Basis, for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Cash and Cash Equivalents not budgeted by the School District (budget) but are reported as on the modified cash basis.
2. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (modified cash basis).

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**4. BUDGETARY BASIS OF ACCOUNTING (Continued)**

The adjustments necessary to reconcile the modified cash and budgetary basis statements for the General Fund are as follows:

<b>Changes in Fund Balance</b>	
Modified Cash Basis	\$6,081,499
Increase (Decrease) Due To:	
Nonbudgeted Cash Activity:	(690,592)
Encumbrances Outstanding at Fiscal Year End	(526,675)
Budget Basis	<u><u>\$4,864,232</u></u>

**5. DEPOSITS AND INVESTMENTS**

Monies held by the School District are classified by State statute into three categories.

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

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

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

Interim monies held by the School District 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;

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. 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; and
7. The State Treasurer's investment pool (STAR Ohio).

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, The School District had a book balance of \$2,586,765 and a bank balance of \$2,938,341. \$820,132 of the School District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the School District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

**B. Investments**

As of June 30, 2005, the School District had the following investments.

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Mortgage Corporation Notes	\$700,000	June 6, 2006
Federal Home Loan Bank Notes	250,000	May 16, 2007
Federal Home Loan Bank Bonds	200,000	August 17, 2007
Federal Home Loan Bank Bonds	200,000	October 17, 2007
Federal Home Loan Bank Bonds	200,000	December 26, 2007
Federal Home Loan Bank Bonds	200,000	October 7, 2008
Federal Home Loan Bank Bonds	496,000	December 26, 2008
Federal Home Loan Bank Bonds	499,100	April 15, 2009

(Continued)

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

	<u>Carrying Value</u>	<u>Maturity</u>
Federal Home Loan Bank Bonds	\$200,000	May 19, 2009
Federal Home Loan Bank Bonds	100,000	August 25, 2009
Federal Home Loan Bank Bonds	200,000	December 30, 2009
Federal Home Loan Bank Bonds	200,000	January 27, 2010
Federal Home Loan Bank Bonds	250,000	February 23, 2010
Federal Home Loan Bank Bonds	400,000	March 30, 2010
Federal National Mortgage Association Notes	99,615	June 30, 2006
Federal National Mortgage Association Notes	250,000	September 14, 2007
Federal National Mortgage Association Notes	499,000	April 6, 2009
Federal National Mortgage Association Notes	300,000	August 18, 2009
Federal National Mortgage Association Notes	100,000	December 28, 2009
Federal National Mortgage Association Bonds	321,795	October 15, 2006
STAR Ohio	1,510,088	30.4 days

The School District's investment policy does not address any restriction on investments relating to interest rate, credit, or custodial credit risks. The investment policy restricts the Treasurer from investing in anything other than as identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District. The Treasurer is also restricted from purchasing investments that cannot be held until the maturity date.

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes carry a rating of AAA by Moody's and AAA by Fitch. STAR Ohio carries a rating of AAA by Standard and Poor's.

The Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, and Federal National Mortgage Association Notes are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the School District's name.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	<u>Carrying Value</u>	<u>Percentage of Portfolio</u>
Star Ohio	\$1,510,088	21.0%
Federal Home Loan Mortgage Corporation Notes	700,000	9.8
Federal Home Loan Bank Notes	250,000	3.5
Federal Home Loan Bank Bonds	3,145,100	43.8
Federal National Mortgage Association Notes	1,248,615	17.4
Federal National Mortgage Association Bonds	321,795	4.5
Total Investments	<u>\$7,175,598</u>	<u>100.00%</u>

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**6. PROPERTY TAXES**

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Real property taxes received in calendar year 2005 were levied after April 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2005 represent the collection of calendar year 2004 taxes. Public utility real and tangible personal property taxes received in calendar year 2005 became a lien on December 31, 2003, were levied after April 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2005 (other than public utility property) represent the collection of calendar year 2005 taxes. Tangible personal property taxes received in calendar year 2005 were levied after April 1, 2004, on the value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2005, are available to finance fiscal year 2005 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2005 taxes were collected are:

	<b>2004 Second- Half Collections</b>		<b>2005 First- Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential	\$203,744,440	70.46%	\$207,598,680	70.97%
Industrial/Commercial	43,257,520	14.96	43,627,820	14.91
Public Utility	11,780,180	4.07	12,164,580	4.16
Tangible Personal	30,395,717	10.51	29,141,962	9.96
Total Assessed Value	<u>\$289,177,857</u>	<u>100.00%</u>	<u>\$292,533,042</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.60		\$29.60	

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**7. INCOME TAXES**

The School District levies a voted tax of 0.5 percent for general operations and 0.25 percent for permanent improvements on the income of residents and of estates. The 0.5 percent portion of the tax was effective on January 1, 1991, and the 0.25 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 School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund and the Permanent Improvement capital projects fund.

**8. PAYMENT IN LIEU OF TAXES**

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School 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 owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2005 were \$115,500.

**9. RISK MANAGEMENT**

The School 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 2005, the School District contracted for the following insurance coverage:

Coverage provided by Midwestern Indemnity Company	
Building and Contents	\$55,233,344
Automobile Liability	1,000,000
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefits Liability	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**9. RISK MANAGEMENT (Continued)**

For fiscal year 2005, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Co. provides administrative, cost control, and actuarial services to the Plan.

**10. DEFINED BENEFIT PENSION PLANS**

**A. State Teachers Retirement System**

The School 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 to members and death and survivor benefits to 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.

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

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS (Continued)**

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2005, 2004, and 2003 was \$1,257,849, \$1,224,518, and \$1,187,225, respectively; 83 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003. Contributions for the DCP and CP for the fiscal year ended June 30, 2005, were \$9,378 made by the School District and \$12,996 made by plan members.

**B. School Employees Retirement System**

The School 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, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2005, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2005 was 14 percent of annual covered payroll; 10.57 percent was the portion used to fund pension obligations. For fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2005, 2004, and 2003 was \$284,312, \$241,808, and \$211,571, respectively; 72 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2004 and 2003.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2005, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**11. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**11. POSTEMPLOYMENT BENEFITS (Continued)**

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All 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 2005, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$97,479.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.3 billion at June 30, 2005. For the fiscal year ended June 30, 2005, net health care costs paid by STRS were \$254,780,000, and STRS had 115,395 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. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, an increase of 1.48 percent from fiscal year 2004. 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 2005, the minimum pay was established at \$27,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$133,174 for fiscal year 2005.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2004 (the latest information available), were \$223,443,805, and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**12. 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 year, depending upon length of service. The superintendent and treasurer earn twenty days of vacation per year. Accumulated unused vacation time is paid to classified employees, the superintendent, and the treasurer upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees and up to a maximum of two hundred thirty days for classified employees. Upon retirement, for certified employees, payment is made for one-fifth of accrued, but unused sick leave, and for classified employees, payment is made for twenty-five percent of their accrued, but unused sick leave, up to a maximum of fifty-seven and one-half days.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**12. OTHER EMPLOYEE BENEFITS (Continued)**

**B. Employee Insurance Benefits**

The School District offers health, dental, and vision insurance to most employees through Anthem Blue Cross/Blue Shield. In addition, the District offers life insurance through Anthem Life Insurance Company. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

**C. Special Termination Benefits**

The School District provides a special termination benefit to eligible certified employees. In order to be eligible, the certified employee: 1) must have ten or more years of service with the School District as a member of the bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement; 2) must have thirty years membership under STRS; and 3) 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. Certified employees meeting the requirements shall receive an amount equal to one day severance pay for each year of service to the School District, not to exceed thirty days. The School 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.

**13. LONG-TERM OBLIGATIONS**

The changes in the School District's long-term obligations during fiscal year 2005 were as follows:

	<b>Interest Rate</b>	<b>Balance at 6/30/04</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at 6/30/05</b>	<b>Due Within One Year</b>
<b>General Long-Term Obligations</b>						
1987 High School General Obligation Bonds	8.25%	\$3,125,000	\$0	\$625,000	\$2,500,000	\$625,000
1988 Asbestos Removal Loan	0.00	11,458	0	7,639	3,819	3,819
1990 Asbestos Removal Loan	0.00	37,873	0	10,821	27,052	10,821
Total General Long-Term Obligations		<u>\$3,174,331</u>	<u>\$0</u>	<u>\$643,460</u>	<u>\$2,530,871</u>	<u>\$639,640</u>

**High School General Obligation Bonds** - On December 1, 1987, the School 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.

**Asbestos Removal Loans** - In 1988, the School District began an asbestos removal program throughout all of the School 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.

The School District's overall debt margin was \$24,953,557 with an unvoted debt margin of \$292,533 at June 30, 2005.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**13. LONG-TERM OBLIGATIONS (Continued)**

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2005, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Asbestos
	Principal	Interest	Total	Removal Loans
2006	\$625,000	\$180,469	\$805,469	\$14,640
2007	625,000	128,906	753,906	10,820
2008	625,000	77,344	702,344	5,411
2009	625,000	25,781	650,781	0
	\$2,500,000	\$412,500	\$2,912,500	\$30,871

**14. SET ASIDE REQUIREMENTS**

The School 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 the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Textbooks	Capital Improvements
Balance June 30, 2004	(\$3,030,964)	\$0
Current Year Set Aside Requirement	437,788	437,788
Qualifying Expenditures	(629,084)	0
Qualifying Offsets	0	(437,788)
Amount Carried Forward to Fiscal Year 2006	(\$3,222,260)	\$0

The School 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.

**15. JOINTLY GOVERNED ORGANIZATIONS**

**A. Northwest Ohio Area Computer Services Cooperative**

The School 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.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

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. During fiscal year 2005, the School District paid \$66,563 to NOACSC for various services. Financial information can be obtained from Raymond Burden, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

**B. Apollo Joint Vocational School**

The Apollo Joint Vocational School (JVS) is a distinct political subdivision of the State of Ohio which provides vocational education to students. The JVS 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, 3325 Shawnee Road, Lima, Ohio 45806.

**C. West Central Regional Professional Development Center**

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts 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 that 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 Greg Spiess, Hancock County Educational Service Center, 7746 County Road 140, Findlay, Ohio 45840.

**D. Northwestern Ohio Educational Research Council, Inc.**

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves 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 BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2005  
(Continued)**

**15. JOINTLY GOVERNED ORGANIZATIONS (Continued)**

**E. Southwestern Ohio Educational Purchasing Cooperative**

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.

**F. 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 obtained from Krista Hart, Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

**16. INSURANCE POOL**

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the School 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. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the Plan.

**17. CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 School District at June 30, 2005.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED JUNE 30, 2005**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$161,190		\$161,190
School Breakfast Program	044982-05RE-2004	10.553	\$1,061		\$1,061	
School Breakfast Program	044982-05PU-2004	10.553	6,738		6,738	
School Breakfast Program	044982-05PU-2005	10.553	21,587		21,587	
Total School Breakfast Program			29,386		29,386	
National School Lunch Program	044982-LLP1-2005	10.555	390		390	
National School Lunch Program	044982-LLP4-2004	10.555	79,887		79,887	
National School Lunch Program	044982-LLP4-2005	10.555	217,068		217,068	
Total National School Lunch			297,345		297,345	
Total U.S. Department of Agriculture - Nutrition Cluster			326,731	161,190	326,731	161,190
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Title I, Targeted Assistance	044982-C1S1-2005	84.010	367,033		367,033	
Title II-D, Technology Literacy Challenge Grant	044982-TJS1-2005	84.318	9,758		9,758	
Title VI-B, Access-Cridersville	044982-6BSD-2005	84.027	22,500		22,500	
Title VI-B, Special Education Grants to States	044982-6BSD-2004-P	84.027	24,000		20,159	
Title VI-B, Special Education Grants to States	044982-6BSF-2005	84.027	647,280		647,280	
Total Title VI-B			693,780		689,939	
Title V, Innovative Education Program Strategies	044982-C2S1-2005	84.298	13,258		13,258	
Drug Free Grant	044982-DRS1-2005	84.186	13,714		13,714	
Title IIA, Improving Teacher Quality	044982-TRS1-2004	84.367	131,792		131,792	
Advance Placement Program	AVTF-2004	84.330	52		52	
	AVTF-2005	84.330	208		208	
Total Advance Placement Program			260		260	
Total U.S. Department of Education			1,229,595		1,225,754	
<b>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</b>						
(Passed through Ohio Department of Education)						
Learn and Serve America	044982-SVS1-2004	94.004	24,600			
<b>Total Federal Assistance</b>			<u>\$1,580,926</u>	<u>\$161,190</u>	<u>\$1,552,485</u>	<u>\$161,190</u>

See accompanying notes to the schedule of federal awards expenditures.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2005**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

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 School 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.



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Wapakoneta City School District  
Auglaize County  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District, Auglaize County, (the School District) as of and for the year ended June 30, 2005, which collectively comprise the School District's basic financial statements and have issued our report thereon dated January 25, 2006, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles and revised its financial presentation comparable to the requirements of Government Accounting Standards Board Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated January 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

#### **Compliance and Other Matters**

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed one instance of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2005-001. In a separate letter to the School District's management dated January 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Wapakoneta City School District  
Auglaize County  
Independent Accountants' Report On Internal Control Over  
Financial Reporting And On Compliance And Other Matters  
Required By *Government Auditing Standards*  
Page 2

We intend this report solely for the information and use of the audit committee, management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 25, 2006



## Auditor of State Betty Montgomery

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

Wapakoneta City School District  
Auglaize County  
1102 Gardenia Drive  
Wapakoneta, Ohio 45895

To the Board of Education:

#### Compliance

We have audited the compliance of Wapakoneta City School District, Auglaize County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2005. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal program. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School District's compliance with those requirements.

In our opinion, Wapakoneta City School District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2005.

#### Internal Control Over Compliance

The School District's management 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 School District's internal control over compliance with requirements that could directly and materially affect a major federal program 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.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

We intend this report solely for the information and use of the audit committee, management, Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

January 25, 2006

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2005**

**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)?	Yes
(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):	Title VI B Special Education Grant - CFDA #84.027
(d)(1)(viii)	Dollar Threshold: Type A\B 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**

**FINDING NUMBER 2005-001**

**Ohio Rev. Code Section 117.38** provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

**Ohio Admin Code Section 117-2-03 (B)** requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the School District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School District should prepare their financial statements in accordance with generally accepted accounting principles.

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

None

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005  
OMB CIRCULAR A -133 ' .315 (b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2004-001	Ohio Rev. Code Section 117.38; Ohio Admin Code Section 117-2-03 (B) – preparation of financial statements in accordance with generally accepted accounting principles.	No	Repeated as 2005-001 – Reported on OCBOA GASB 34 presentation.



**Auditor of State  
Betty Montgomery**

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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 21, 2006**