



Mary Taylor, CPA
Auditor of State

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

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, 2008, 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 opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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 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 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, 2008, and the respective changes in cash financial position and the budgetary comparison for the General fund for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2009, on our consideration of the School 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 Receipts and 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 this schedule to the auditing procedures applied in our audit of the School District's 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.

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

Mary Taylor, CPA
Auditor of State

April 3, 2009

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED**

The discussion and analysis of Wapakoneta City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2008, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

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 cash basis of accounting.

The School District has elected to present its financial statements on a 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 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 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 cash basis of accounting.

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

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 service fund, the Building and Ohio School Facilities capital projects funds are the most significant funds.

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 2008, within the limitations of 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

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, noninstructional services, extracurricular activities, capital outlay, and debt service 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, the Building and Ohio School Facilities capital projects funds.

Governmental Funds - All 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 cash basis of 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.

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2008 and fiscal year 2007:

| Table 1 | | | |
|--------------------------------|--------------|--------------|---------------|
| Governmental Activities | | | |
| Net Assets | | | |
| | 2008 | 2007 | Change |
| Assets: | | | |
| Cash and Cash Equivalents | \$44,142,127 | \$10,866,930 | \$33,275,197 |
| Net Assets: | | | |
| Restricted | 37,467,382 | 4,540,828 | 32,926,554 |
| Unrestricted | 6,674,745 | 6,326,102 | 348,643 |
| Total Net Assets | \$44,142,127 | \$10,866,930 | \$33,275,197 |

During fiscal year 2008, the School District issued \$24,750,000 in general obligation bonds and \$29,900,000 in bond anticipation notes to construct two new elementary schools, a middle school, and renovate the high school. The School District also received \$6,071,005 in Ohio School Facilities Commission (OSFC) grants for the construction project. Only \$1,133,611 had been disbursed during fiscal year 2008 for the project.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2008 and fiscal year 2007.

**Table 2
Governmental Activities
Change in Net Assets**

| | 2008 | 2007 | Change |
|--|---------------------|---------------------|---------------------|
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services | \$ 1,422,687 | \$ 1,410,033 | \$ 12,654 |
| Operating Grants, Contributions, and Interest | 3,032,834 | 2,780,096 | 252,738 |
| Capital Grants and Contributions | 171,289 | 41,240 | 130,049 |
| Total Program Receipts | 4,626,810 | 4,231,369 | 395,441 |
| General Receipts: | | | |
| Property Taxes levied for General Purposes | 6,188,598 | 5,848,284 | 340,313 |
| Property Taxes levied for Debt Service | 1,113,663 | 643,856 | 469,807 |
| Property Taxes levied for permanent Improvements | 88,557 | 182,852 | (94,295) |
| Income Taxes levied for General Purposes | 1,943,460 | 1,812,244 | 131,216 |
| Income Taxes levied for Permanent Improvements | 957,226 | 892,598 | 64,628 |
| Grants and Entitlements | 18,985,106 | 12,417,785 | 6,567,321 |
| Interest | 918,893 | 553,130 | 365,763 |
| Miscellaneous | 195,752 | 213,042 | (17,290) |
| Notes Issued | 29,900,000 | | 29,900,000 |
| Current Refunding | 24,750,000 | | 24,750,000 |
| Premium on Bonds Issued | 513,295 | | 513,295 |
| Total General Receipts | 85,554,550 | 22,563,791 | 62,990,759 |
| Total Receipts | 90,181,360 | 26,795,160 | 63,386,200 |
| Disbursements: | | | |
| Instruction: | | | |
| Regular | 13,240,020 | 12,701,075 | (538,945) |
| Special | 1,743,481 | 1,969,186 | 225,705 |
| Vocational | 465,161 | 481,020 | 15,859 |
| Support Services: | | | |
| Pupils | 1,034,865 | 1,151,944 | 117,079 |
| Instructional Staff | 1,342,736 | 1,131,528 | (211,208) |
| Board of Education | 23,311 | 19,657 | (3,654) |
| Administration | 1,822,490 | 1,707,087 | (115,403) |
| Fiscal | 551,262 | 509,984 | (41,278) |
| Business | 7,409 | 7,711 | 302 |
| Operation and Maintenance of Plant | 2,403,777 | 2,277,193 | (126,584) |
| Pupil Transportation | 1,237,073 | 1,519,090 | 282,017 |
| Central | 46,456 | 44,756 | (1,700) |
| Non-instructional Services | 1,304,803 | 1,322,605 | 17,802 |
| Extracurricular Activities | 618,538 | 580,136 | (38,402) |
| Capital Outlay | 1,694,899 | 420,385 | (1,274,514) |
| Debt Service: | | | |
| Principal Retirement | 3,380,410 | 635,821 | (2,744,589) |
| Current Refunding | 24,750,000 | | (24,750,000) |
| Interest and Fiscal Charges | 716,338 | 128,906 | (587,432) |
| Issuance Costs | 523,134 | | (523,134) |
| Total Disbursements | 56,906,163 | 26,608,084 | (30,298,079) |
| Increase in Net Assets | 33,275,197 | 187,076 | 33,088,121 |
| Net Assets at Beginning of Year | 10,866,930 | 10,679,854 | 187,076 |
| Net Assets at End of Year | \$44,142,127 | \$10,866,930 | \$33,275,197 |

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The most significant receipts during fiscal year 2008 were from the issuance of the bond anticipation notes and general obligation bonds, in the amount of \$29,900,000 and \$24,750,000, respectively. Additional receipts, in the amount of \$513,295, resulted from premiums on the debt issued. These receipts totaled 61 percent of total receipts. In addition to the issuance of debt, the School District also received \$6,071,005 in OSFC grants for the construction of two elementary schools and a middle school, and renovations of the high school.

Program receipts represented 16 percent of total receipts, after reducing total receipts by \$61,234,300 for debt proceeds and the OSFC grant, and are primarily represented by restricted intergovernmental receipts, charges for tuition, fees, and extracurricular activities, and food service sales. In fiscal year 2008, the School District received \$156,000 in donations and contributions for the construction of an auditorium in the high school.

Other general receipts, after reducing total receipts by debt proceeds and the OSFC grant, represent 84 percent of the School District's total receipts, and, of this amount, almost 54 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. Other receipts, such as interest and miscellaneous receipts are very insignificant and somewhat unpredictable receipt sources.

A significant portion of total disbursements consisted of the repayment of the bond anticipation notes, in the amount of \$27,500,000.

After reducing total disbursements for the payment of bond anticipation notes and issuance costs, the instruction program disbursements accounted for 56 percent of all disbursements. Regular instruction disbursements increased from salary and health care costs, along with an increase in tuition paid to community schools. Special instruction disbursements decreased from a reduction in the local contract with the Auglaize County Educational Service Center. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 13 percent of disbursements. Maintenance of the School District's facilities represents an additional 8 percent of program costs.

Capital outlay increased significantly from the engineering costs associated with the Ohio School Facilities Commission project.

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**

| | Total Cost of Services | | Net Cost of Services | |
|---------------------|------------------------|--------------|----------------------|--------------|
| | 2008 | 2007 | 2008 | 2007 |
| Instruction: | | | | |
| Regular | \$13,240,020 | \$12,701,075 | \$12,527,593 | \$12,116,354 |
| Special | 1,743,481 | 1,969,186 | (311,011) | 82,093 |
| Vocational | 465,161 | 481,020 | 465,161 | 388,547 |

(Continued)

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

**Table 3
Governmental Activities
(Continued)**

| | Total Cost of Services | | Net Cost of Services | |
|-----------------------------|------------------------|---------------------|----------------------|---------------------|
| | 2008 | 2007 | 2008 | 2007 |
| Support Services: | | | | |
| Pupils | 1,034,865 | 1,151,944 | 1,024,247 | 1,141,517 |
| Instructional Staff | 1,342,736 | 1,131,528 | 1,342,736 | 1,131,528 |
| Board of Education | 23,311 | 19,657 | 23,311 | 19,657 |
| Administration | 1,822,490 | 1,707,087 | 1,822,490 | 1,707,087 |
| Fiscal | 551,262 | 509,984 | 548,762 | 506,984 |
| Business | 7,409 | 7,711 | 7,409 | 7,711 |
| Operation and Maintenance | | | | |
| Of Plant | 2,403,777 | 2,277,193 | 2,337,007 | 2,277,193 |
| Pupil Transportation | 1,237,073 | 1,519,090 | 1,149,485 | 1,413,822 |
| Central | 46,456 | 44,756 | 31,456 | 29,756 |
| Non-instructional Services | 1,304,803 | 1,322,605 | (116,267) | 56,514 |
| Extracurricular Activities | 618,538 | 580,136 | 362,193 | 312,840 |
| Capital Outlay | 1,694,899 | 420,385 | 1,694,899 | 420,385 |
| Debt Service: | | | | |
| Principal Retirement | 3,380,410 | 635,821 | 3,380,410 | 635,821 |
| Current Refunding | 24,750,000 | | 24,750,000 | |
| Interest and Fiscal Charges | 716,338 | 128,906 | 716,338 | 128,906 |
| Issuance Costs | 523,134 | | 523,134 | |
| Total Disbursements | \$56,906,163 | \$26,608,084 | \$52,279,353 | \$22,376,715 |

The most significant activity during fiscal year 2008 was associated with the repayment of the bond anticipation notes with related interest and fiscal charges disbursements, in the amount of 29,369,882. The total cost of debt service was financed through the issuance of general obligation bonds. The balance of disbursements was \$27,536,281 in total cost of services and \$27,909,471 in net cost of services. These balances indicate that only 17 percent of the cost of services is financed through user charges and grants awarded for specific programs. The remaining 83 percent of total cost of services is financed through property taxes, income taxes, and unrestricted grants and entitlements.

Special instruction activities were fully funded through program receipts (operating grants). Non-instructional services disbursements (primarily food services) and costs associated with the parochial school were fully covered by program receipts for fiscal year 2008. The primary program receipts are cafeteria sales, state and federal subsidies and donated commodities for food service as well as operating grants for the parochial school.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund saw small increases in almost all major revenue sources, with an overall increase of 4.9 percent. Disbursements decreased slightly.

The School District began to receive property tax collections from the Auglaize County Auditor for the debt issued for the Ohio School Facilities Commission project in fiscal year 2008 in the Bond Retirement debt service fund and stopped the property tax collections for the high school general obligation bonds. Principal and interest payments related to the high school general obligation bonds are being paid from the excess tax collections in prior fiscal years.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
UNAUDITED
(Continued)**

The Building Fund received debt proceeds, in the amount of \$10,863,203, to pay for the locally funded initiatives portion of the construction project of which the majority was not spent during fiscal year 2008. The locally funded initiatives include a seven hundred ten seat auditorium, terrazzo floor upgrades to the buildings, roof upgrade, a competition-sized gymnasium, additional square footage at the Grades 6 - 12 building, and designing the buildings and landscaping to be environmentally friendly. A small portion of these proceeds were spent during fiscal year 2008 for engineering costs.

The School District received \$6,071,005 in grant receipts from the Ohio School Facilities Commission and issued \$16,636,797 in bond anticipation notes to fund the School District's portion of the project. The only costs during fiscal year 2008 were for engineering.

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 2008, the School District amended its General Fund budget as needed. The final budget for estimated receipts was higher than the original estimate resulting from additional receipts related to property taxes, income taxes, and state foundation payments. The change from final budget to actual receipts was not significant. For disbursements, changes from the original budget to the final budget as well as from the final budget to actual disbursements were not significant.

Debt Administration

At June 30, 2008, the School District's had one bond anticipation note and two general obligation bond issues outstanding, in the amount of \$2,400,000 and \$25,375,000, respectively. For further information regarding the School District's debt, refer to Notes 13 and 14 to the basic financial statements.

Current Issues

The Board of Education awarded contracts for the construction of the Cridersville Elementary and Wapakoneta Elementary schools, in the amount of \$10,098,028 and \$15,999,975, respectively. The School District has also advertised for bids for the construction of the middle school and renovation of the high school.

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 - CASH BASIS
JUNE 30, 2008**

| | <u>Governmental Activities</u> |
|--|---|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u><u>\$44,142,127</u></u> |
| Net Assets: | |
| Restricted for: | |
| Capital Projects | 36,368,396 |
| Debt Service | 651,280 |
| Other Purposes | 447,706 |
| Unrestricted | <u>6,674,745</u> |
| Total Net Assets | <u><u>\$44,142,127</u></u> |

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | Program Cash Receipts | | | Net (Disbursement) | |
|------------------------------------|-----------------------|-------------------------|---|--|--|
| | Cash Disbursements | Charges for Services | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | Receipt and Change in Net Assets |
| | | | | | Governmental Activities |
| Governmental Activities: | | | | | |
| Current: | | | | | |
| Instruction: | | | | | |
| Regular | \$13,240,020 | \$449,267 | \$263,160 | | (\$12,527,593) |
| Special | 1,743,481 | | 2,054,492 | | 311,011 |
| Vocational | 465,161 | | | | (465,161) |
| Support Services: | | | | | |
| Pupils | 1,034,865 | | 10,618 | | (1,024,247) |
| Instructional Staff | 1,342,736 | | | | (1,342,736) |
| Board of Education | 23,311 | | | | (23,311) |
| Administration | 1,822,490 | | | | (1,822,490) |
| Fiscal | 551,262 | 2,500 | | | (548,762) |
| Business | 7,409 | | | | (7,409) |
| Operation and Maintenance of Plant | 2,403,777 | | 66,770 | | (2,337,007) |
| Pupil Transportation | 1,237,073 | 7,497 | 64,802 | \$15,289 | (1,149,485) |
| Central | 46,456 | | 15,000 | | (31,456) |
| Non-Instructional Services | 1,304,803 | 784,542 | 530,528 | 106,000 | 116,267 |
| Extracurricular Activities | 618,538 | 178,881 | 27,464 | 50,000 | (362,193) |
| Capital Outlay | 1,694,899 | | | | (1,694,899) |
| Debt Service: | | | | | |
| Principal Retirement | 3,380,410 | | | | (3,380,410) |
| Current Refunding | 24,750,000 | | | | (24,750,000) |
| Interest and Fiscal Charges | 716,338 | | | | (716,338) |
| Issuance Costs | 523,134 | | | | (523,134) |
| Total Governmental Activities | <u>\$56,906,163</u> | <u>\$1,422,687</u> | <u>\$3,032,834</u> | <u>\$171,289</u> | <u>(52,279,353)</u> |

General Receipts:

Property Taxes Levied for:

| | |
|------------------------|-----------|
| General Purposes | 6,188,598 |
| Debt Service | 1,113,663 |
| Permanent Improvements | 88,557 |

Income Taxes Levied for:

| | |
|------------------------|-----------|
| General Purposes | 1,943,460 |
| Permanent Improvements | 957,226 |

Grants and Entitlements not

| | |
|---------------------------------|------------|
| Restricted to Specific Programs | 18,985,106 |
|---------------------------------|------------|

Interest

| | |
|--|---------|
| | 918,893 |
|--|---------|

Miscellaneous

| | |
|--|---------|
| | 195,752 |
|--|---------|

Notes Issued

| | |
|--|------------|
| | 29,900,000 |
|--|------------|

Current Refunding

| | |
|--|------------|
| | 24,750,000 |
|--|------------|

Premium on Bonds Issued

| | |
|--|---------|
| | 513,295 |
|--|---------|

Total General Receipts

| | |
|--|-------------------|
| | <u>85,554,550</u> |
|--|-------------------|

Change in Net Assets

| | |
|--|------------|
| | 33,275,197 |
|--|------------|

Net Assets at Beginning of Year

| | |
|--|-------------------|
| | <u>10,866,930</u> |
|--|-------------------|

Net Assets at End of Year

| | |
|--|---------------------|
| | <u>\$44,142,127</u> |
|--|---------------------|

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2008**

| | <u>General</u> | <u>Bond Retirement</u> | <u>Building</u> | <u>Ohio School Facilities</u> | <u>Other Governmental</u> | <u>Total Governmental Funds</u> |
|---|--------------------|----------------------------|---------------------|-----------------------------------|-------------------------------|---|
| Assets: | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$6,674,745 | \$651,280 | \$10,833,234 | \$21,916,693 | \$4,032,708 | \$44,108,660 |
| Restricted Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | 33,467 | | | | | 33,467 |
| Total Assets | <u>6,708,212</u> | <u>651,280</u> | <u>10,833,234</u> | <u>21,916,693</u> | <u>4,032,708</u> | <u>44,142,127</u> |
| Fund Balances: | | | | | | |
| Reserved for Encumbrances | | | 94,232 | 215,505 | | 309,737 |
| Reserved for Bus Purchases | 32,513 | | | | | 32,513 |
| Reserved for Unclaimed Monies | 954 | | | | | 954 |
| Unreserved, Reported in: | | | | | | |
| General Fund | 6,674,745 | | | | | 6,674,745 |
| Special Revenue Funds | | | | | 414,239 | 414,239 |
| Debt Service Fund | | 651,280 | | | | 651,280 |
| Capital Projects Funds | | | 10,739,002 | 21,701,188 | 3,618,469 | 36,058,659 |
| Total Fund Balances | <u>\$6,708,212</u> | <u>\$651,280</u> | <u>\$10,833,234</u> | <u>\$21,916,693</u> | <u>\$4,032,708</u> | <u>\$44,142,127</u> |

See accompanying notes to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | General | Bond Retirement | Building | Ohio School Facilities | Other Governmental | Total Governmental Funds |
|--|--------------------|----------------------------|---------------------|-----------------------------------|-------------------------------|---|
| Receipts: | | | | | | |
| Property Taxes | \$6,188,598 | \$1,113,663 | | | \$88,557 | \$7,390,818 |
| Income Taxes | 1,943,460 | | | | 957,226 | 2,900,686 |
| Intergovernmental | 13,890,641 | 140,200 | | \$6,071,005 | 1,901,123 | 22,002,969 |
| Interest | 598,655 | | \$269,762 | 42,771 | 8,141 | 919,329 |
| Tuition and Fees | 456,764 | | | | | 456,764 |
| Extracurricular Activities | | | | | 178,881 | 178,881 |
| Charges for Services | 2,500 | | | | 784,542 | 787,042 |
| Gifts and Donations | | | | | 184,184 | 184,184 |
| Miscellaneous | 152,244 | 12,912 | | | 32,236 | 197,392 |
| Total Receipts | <u>23,232,862</u> | <u>1,266,775</u> | <u>269,762</u> | <u>6,113,776</u> | <u>4,134,890</u> | <u>35,018,065</u> |
| Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 12,762,103 | | | | 477,917 | 13,240,020 |
| Special | 1,312,260 | | | | 431,221 | 1,743,481 |
| Vocational | 465,161 | | | | | 465,161 |
| Support Services: | | | | | | |
| Pupils | 865,284 | | | | 169,581 | 1,034,865 |
| Instructional Staff | 1,203,727 | | | | 139,009 | 1,342,736 |
| Board of Education | 23,311 | | | | | 23,311 |
| Administration | 1,744,618 | | | | 77,872 | 1,822,490 |
| Fiscal | 508,059 | 25,548 | | | 17,655 | 551,262 |
| Business | 7,409 | | | | | 7,409 |
| Operation and Maintenance of Plant | 2,133,869 | | | | 269,908 | 2,403,777 |
| Pupil Transportation | 1,236,593 | | | | 480 | 1,237,073 |
| Central | 20,838 | | | | 25,618 | 46,456 |
| Non-Instructional Services | 4,835 | | | | 1,299,968 | 1,304,803 |
| Extracurricular Activities | 367,474 | | | | 251,064 | 618,538 |
| Capital Outlay | 219,984 | | 299,731 | 833,880 | 341,304 | 1,694,899 |
| Debt Service: | | | | | | |
| Principal Retirement | | 3,380,410 | | | | 3,380,410 |
| Current Refunding | | 24,750,000 | | | | 24,750,000 |
| Interest and Fiscal Charges | | 716,338 | | | | 716,338 |
| Issuance Costs | | 523,134 | | | | 523,134 |
| Total Disbursements | <u>22,875,525</u> | <u>29,395,430</u> | <u>299,731</u> | <u>833,880</u> | <u>3,501,597</u> | <u>56,906,163</u> |
| Excess of Receipts Over (Under) Disbursements | 357,337 | (28,128,655) | (29,969) | 5,279,896 | 633,293 | (21,888,098) |
| Other Financing Sources (Uses): | | | | | | |
| Notes Issued | | 2,400,000 | 10,863,203 | 16,636,797 | | 29,900,000 |
| Current Refunding | | 24,750,000 | | | | 24,750,000 |
| Premium on Bonds Issued | | 513,295 | | | | 513,295 |
| Advances In | 7,252 | | | | 657 | 7,909 |
| Advances Out | (657) | | | | (7,252) | (7,909) |
| Transfers In | | | | | 158,424 | 158,424 |
| Transfers Out | | | | | (158,424) | (158,424) |
| Total Other Financing Sources (Uses) | <u>6,595</u> | <u>27,663,295</u> | <u>10,863,203</u> | <u>16,636,797</u> | <u>(6,595)</u> | <u>55,163,295</u> |
| Changes in Fund Balances | 363,932 | (465,360) | 10,833,234 | 21,916,693 | 626,698 | 33,275,197 |
| Fund Balances at Beginning of Year | <u>6,344,280</u> | <u>1,116,640</u> | | | <u>3,406,010</u> | <u>10,866,930</u> |
| Fund Balances at End of Year | <u>\$6,708,212</u> | <u>\$651,280</u> | <u>\$10,833,234</u> | <u>\$21,916,693</u> | <u>\$4,032,708</u> | <u>\$44,142,127</u> |

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Over/(Under)</u> |
|--|-------------------------|--------------------|--------------------|--|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| Property Taxes | \$5,745,636 | \$6,188,598 | \$6,188,598 | |
| Income Taxes | 1,884,000 | 1,943,460 | 1,943,460 | |
| Intergovernmental | 13,400,575 | 13,890,641 | 13,890,641 | |
| Interest | 500,000 | 586,508 | 586,508 | |
| Tuition and Fees | 372,671 | 456,764 | 456,764 | |
| Charges for Services | 3,000 | 2,500 | 2,500 | |
| Miscellaneous | 34,000 | 206,072 | 217,799 | \$11,727 |
| Total Receipts | <u>21,939,882</u> | <u>23,274,543</u> | <u>23,286,270</u> | <u>11,727</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 11,000,754 | 10,953,740 | 10,863,122 | 90,618 |
| Special | 1,653,274 | 1,359,018 | 1,310,613 | 48,405 |
| Vocational | 503,304 | 502,600 | 464,704 | 37,896 |
| Other | 1,819,097 | 1,917,072 | 1,885,073 | 31,999 |
| Support Services: | | | | |
| Pupils | 1,043,452 | 920,792 | 864,644 | 56,148 |
| Instructional Staff | 1,336,183 | 1,366,907 | 1,202,720 | 164,187 |
| Board of Education | 20,227 | 21,498 | 23,311 | (1,813) |
| Administration | 1,733,884 | 1,748,293 | 1,742,513 | 5,780 |
| Fiscal | 516,907 | 514,403 | 507,693 | 6,710 |
| Business | 13,560 | 11,060 | 7,409 | 3,651 |
| Operation and Maintenance of Plant | 2,264,838 | 2,252,925 | 2,132,222 | 120,703 |
| Pupil Transportation | 1,359,284 | 1,355,012 | 1,235,220 | 119,792 |
| Central | 38,574 | 38,700 | 20,838 | 17,862 |
| Non-Instructional Services | 54,332 | 9,504 | 3,985 | 5,519 |
| Extracurricular Activities | 371,412 | 368,031 | 367,474 | 557 |
| Capital Outlay | 200,000 | 219,984 | 219,984 | |
| Total Disbursements | <u>23,929,082</u> | <u>23,559,539</u> | <u>22,851,525</u> | <u>708,014</u> |
| Excess of Receipts Over (Under) Disbursements | (1,989,200) | (284,996) | 434,745 | 719,741 |
| Other Financing Uses: | | | | |
| Advances In | | 7,252 | 7,252 | |
| Advances Out | (657) | (657) | (657) | |
| Changes in Fund Balance | (1,989,857) | (278,401) | 441,340 | 719,741 |
| Fund Balance at Beginning of Year | 5,798,382 | 5,798,382 | 5,798,382 | |
| Prior Year Encumbrances Appropriated | 29,738 | 29,738 | 29,738 | |
| Fund Balance at End of Year | <u>\$3,838,263</u> | <u>\$5,549,719</u> | <u>\$6,269,460</u> | <u>\$719,741</u> |

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2008**

| | <u>Agency</u> |
|--|------------------|
| Assets: | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$112,739</u> |
| Liabilities | |
| Undistributed Assets | 9,154 |
| Due to Students | <u>103,585</u> |
| Total Liabilities | <u>\$112,739</u> |

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, 2008**

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 serves an area of approximately one hundred forty-eight square miles. It is located in Auglaize County. The School District is the 148th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred eleven classified employees, one hundred eighty-four certified teaching personnel, and eleven administrative employees who provide services to three thousand twenty-five 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 (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. 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 four jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are presented on a cash basis of accounting. This basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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 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, 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 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. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Building and Ohio School Facilities capital projects funds.

General Fund - The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available 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 is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the general obligation bonds and the asbestos removal loan.

Building Fund - The Building capital projects fund accounts for bond proceeds used to acquire, construct, or improve capital facilities based on locally funded initiatives.

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund is used to account for the construction and renovation of the School District's buildings. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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. The School District did not have any trust funds in fiscal year 2008. 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 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a result of the use of the 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 tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. 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, function, and object level for all funds.

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 appropriations 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 appropriations 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 2008, investments included nonnegotiable certificates of deposit, negotiable certificates of deposit, mutual funds, federal agency securities, and STAR Ohio. All investments, with the exception of STAR Ohio, 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, 2008.

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 2008 was \$598,655, which included \$170,265 assigned from other School District funds.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended revenues restricted for bus purchases and unclaimed monies.

G. Capital Assets

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

H. 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 cash basis of accounting used by the School District.

I. 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.

J. 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. The School District did not have any net assets restricted by enabling legislation at June 30, 2008.

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.

K. 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, bus purchases, and unclaimed monies.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Interfund Activity

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements 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 disbursements to the funds that initially paid for them are not presented on the financial statements.

3. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative 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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

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 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 Receipts, 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 difference between the budget basis and the cash basis is that cash and cash equivalents that are not budgeted by the School District, but are reported on the cash basis.

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

| Changes in Fund Balance | |
|--------------------------------|--------------------|
| Cash Basis | \$6,708,212 |
| Increase (Decrease) Due To: | |
| Non budgeted Cash Activity | <u>(438,752)</u> |
| Budget Basis | <u>\$6,269,460</u> |

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

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;
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);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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 carrying amount of deposits was \$771,412 and the bank balance was \$1,329,632, of which \$98,757 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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.

Investments - As of June 30, 2008, the School District had the following investments.

| | <u>Total</u> | <u>Less Than Six Months</u> | <u>Six Months To One Year</u> | <u>One Year to Three Years</u> | <u>More Than Three Years</u> |
|--|---------------------|-------------------------------------|---|--|--------------------------------------|
| Federal Home Loan Mortgage Corporation Notes | \$14,000,982 | | | \$3,718,982 | \$10,282,000 |
| Federal Home Loan Bank Notes | 13,287,364 | | \$1,500,000 | 10,626,114 | 1,161,250 |
| Federal National Mortgage Association Notes | 7,760,000 | | | | 7,760,000 |
| Federal Farm Credit Bank Notes | 1,450,000 | | | | 1,450,000 |
| Negotiable Certificates of Deposit | 1,677,000 | \$ 393,000 | 99,000 | 989,000 | 196,000 |
| Mutual Funds | 3,241,824 | 3,241,824 | | | |
| STAR Ohio | 2,066,284 | 2,066,284 | | | |
| Total | <u>\$43,483,454</u> | <u>\$5,701,108</u> | <u>\$1,599,000</u> | <u>\$15,334,096</u> | <u>\$20,849,250</u> |

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Treasurer from investing in any securities other than those 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 Federal Home Loan Mortgage Corporation Notes, Federal Home Loan Bank Notes, Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, and Federal Farm Credit Bank Notes carry a rating of Aaa by Moodys. The negotiable certificates of deposit are insured by the FDIC. The mutual funds carry a rating of Aaa by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that no-load money market mutual funds must be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service and STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

| | Value | Percentage Of Portfolio |
|--|--------------|------------------------------------|
| Federal Home Loan Mortgage Corporation | \$14,000,982 | 32.20% |
| Federal Home Loan Bank | 13,287,364 | 30.56% |
| Federal National Mortgage Association | 7,760,000 | 17.85% |
| Federal Farm Credit Bank | 1,450,000 | 3.33% |

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 2008 represent the collection of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed values as of January 1, 2007, 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 2008 represent the collection of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien on December 31, 2006, were levied after April 1, 2007, 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 2008 (other than public utility property) represent the collection of calendar year 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after October 1, 2007, on the value as of December 31, 2007. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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.

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 county by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

6. PROPERTY TAXES (Continued)

The assessed values upon which fiscal year 2008 taxes were collected are:

| | 2007 Second- Half Collections | | 2008 First- Half Collections | |
|--|--|----------------|---|----------------|
| | Amount | Percent | Amount | Percent |
| Agricultural/Residential | \$232,831,620 | 75.14% | \$236,455,760 | 77.39% |
| Industrial/Commercial | 51,434,200 | 16.60% | 53,444,690 | 17.49% |
| Public Utility | 10,636,210 | 3.43% | 6,750,610 | 2.21% |
| Tangible Personal | 14,961,967 | 4.83% | 8,884,990 | 2.91% |
| Total Assessed Value | <u>\$309,863,997</u> | <u>100.00%</u> | <u>\$305,536,050</u> | <u>100.00%</u> |
| Tax rate per \$1,000 of assessed valuation | \$28.40 | | \$31.30 | |

Property tax collections were discontinued on December 31, 2007, on a 1 mill permanent improvement levy and a 1.9 bond levy. Beginning on January 1, 2008, the School District began collection on a voted 5.8 mill bond levy passed by the voters on November 6, 2007.

7. INCOME TAXES

The School District levies a voted tax of .5 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .5 percent portion of the tax was effective on January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the 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. INTERFUND BALANCES

At June 30, 2008, the General Fund had an unpaid interfund cash advance, in the amount of \$657, from other governmental funds from providing cash flow resources until the receipt of grant monies.

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 2008, the School District contracted for the following insurance coverage:

| | |
|-------------------------------|--------------|
| Netherlands Insurance Company | |
| Building and Contents | \$66,453,802 |
| General Liability | |
| Per Occurrence | 1,000,000 |
| Aggregate | 2,000,000 |
| Automobile Liability | 1,000,000 |
| Midwestern Indemnity Company | |
| Commercial Umbrella | 5,000,000 |

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, 2008
(Continued)**

9. RISK MANAGEMENT (Continued)

For fiscal year 2008, 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. 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

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

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DCP allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The CP offers features of both the DBP and the 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. The DBP portion of the CP payment is payable to a member on or after age sixty; the DCP portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP 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, 2008
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2007, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the STRS Ohio Board upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007, and 2006 was \$1,433,385, \$1,384,999, and \$1,328,405 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions for the DCP and CP for the fiscal year ended June 30, 2008, were \$16,934 made by the School District and \$28,695 made by plan members.

B. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer public employee retirement plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a stand-alone financial report that may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - For the fiscal year ended June 30, 2008, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2008, 9.16 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007, and 2006 was \$274,660, \$293,543, and \$276,087, respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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, 2008, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POST-EMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to a cost-sharing multiple-employer defined benefit Health Care Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the Defined Benefit or Combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in STRS Ohio's financial report which may be obtained by calling (888) 227-7877 or by visiting the STRS Ohio Web site at www.strsoh.org.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Health Care Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For fiscal year 2008, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$111,563, \$107,703, and \$102,922 respectively; 83 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

B. School Employee Retirement System

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

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each fiscal year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For fiscal year 2008, 4.18 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount. For fiscal year 2008, this amount was \$170,564.

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

The School District's contribution for health care for the fiscal years ended June 30, 2008, 2007, and 2006 was \$125,336, \$97,456, and \$96,349 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

11. POST-EMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare Part B Fund. For fiscal year 2008, this actuarially required allocation was .66 percent of covered payroll. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2008, 2007, and 2006 was \$19,790, \$19,961, and \$21,974 respectively; 44 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits are 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 earns fifteen days of vacation per year and the treasurer earns twenty-five 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 22 percent of accrued but unused sick leave, and for classified employees, payment is made for 25 percent of their accrued but unused sick leave, up to a maximum of fifty-seven and one-half days.

B. Employee Insurance Benefits

The School District offers health insurance to most employees through Anthem Blue Cross/Blue Shield. Dental and life insurance is offered through Met Life Insurance. Vision insurance is offered through Vision Service Plan. 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. Separation Benefits

The School District provides a separation 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; and 2) 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 and with thirty years of service shall receive an amount equal to one and one-third days severance pay for each year of service to the School District, not to exceed forty days. Certified employees meeting the requirements and with twenty-five years of service shall receive an amount equal to one day severance pay for each year of service to the School District, not to exceed twenty-five 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

13. NOTES PAYABLE

On December 20, 2007, the School District issued \$15,000,000 in bond anticipation notes for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes had an interest rate of 3.5 percent and matured on June 26, 2008. The notes were paid from the Bond Retirement debt service fund.

On January 22, 2008, the School District issued \$12,500,000 in bond anticipation notes for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes had an interest rate of 3.5 percent and matured on June 26, 2008. The notes were paid from the Bond Retirement debt service fund.

On May 28, 2008, the School District issued \$2,400,000 in bond anticipation notes for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes have an interest rate of 2.5 percent and will mature on May 27, 2009. The notes will be paid from the Bond Retirement debt service fund.

14. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2008 were as follows:

| | <u>Balance at 6/30/07</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at 6/30/08</u> | <u>Due Within One Year</u> |
|--|-------------------------------|---------------------|-------------------|-------------------------------|--------------------------------|
| General Long-Term Obligations | | | | | |
| 1987 High School General Obligation Bonds - 8.25% | \$1,250,000 | | \$625,000 | \$625,000 | \$625,000 |
| OSFC General Obligation Bonds | | | | | |
| Serial Bonds 3 to 5% | | \$12,705,000 | | 12,705,000 | 150,000 |
| Term Bonds 4.35 to 4.75% | | 11,800,000 | | 11,800,000 | |
| Capital Appreciation 21.47 to 22.04 | | 245,000 | | 245,000 | |
| Total OSFC General Obligation Bonds | | 24,750,000 | | 24,750,000 | 150,000 |
| Total General Obligation Bonds | 1,250,000 | 24,750,000 | 625,000 | 25,375,000 | 150,000 |
| 1990 Asbestos Removal Loan | 5,410 | | 5,410 | | |
| Total General Long-Term Obligations | <u>\$1,255,410</u> | <u>\$24,750,000</u> | <u>\$630,410</u> | <u>\$25,375,000</u> | <u>\$775,000</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.

OSFC General Obligation Bonds - On April 3, 2008, the School District issued \$24,750,000 in voted general obligation bonds for constructing two new elementary schools, a new middle school, and renovation of the high school. The bonds include serial, term, and capital appreciation bonds, in the amount of \$12,705,000, \$11,800,000, and \$245,000, respectively. The bonds were issued for a twenty-eight period, with final maturity on December 1, 2035. The bonds are being retired from the Bond Retirement debt service fund.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

The serial bonds maturing after December 1, 2018, are subject to redemption at the option of the School District, either in whole or in part, in such order as the School District shall determine, on any interest payment date on or after December 1, 2018, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2020, in the amount of \$880,000, (with the balance of \$920,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

The term bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1 in each of the years 2030 through 2034 (with the balance of \$1,865,000 to be paid at stated maturity on December 1, 2035), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date, according to the following schedule:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2030 | \$1,465,000 |
| 2031 | 1,555,000 |
| 2032 | 1,625,000 |
| 2033 | 1,705,000 |
| 2034 | 1,785,000 |

The capital appreciation bonds will mature in fiscal years 2017 through 2019. The maturity amount for the bonds is \$1,840,000.

The School District's overall debt margin was (\$1,018,687) with an unvoted debt margin of \$290,056 at June 30, 2008. On August 17, 2007, the Tax Equalization Department approved the School District as a special needs district that allows them to have a negative debt margin.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2007, were as follows:

| Fiscal Year Ending | General Obligation Bonds | | | |
|-------------------------------|---------------------------------|-----------------|------------------|-----------------|
| | Serial | | Term | |
| | Principal | Interest | Principal | Interest |
| 2009 | \$ 775,000 | \$ 591,137 | | \$ 553,300 |
| 2010 | 215,000 | 559,881 | | 553,300 |
| 2011 | 235,000 | 553,131 | | 553,300 |
| 2012 | 250,000 | 545,856 | | 553,300 |
| 2013 | 310,000 | 537,456 | | 553,300 |
| 2014-2018 | 1,135,000 | 2,535,456 | | 2,766,500 |
| 2019-2023 | 1,955,000 | 2,391,316 | \$ 1,800,000 | 2,532,470 |
| 2024-2028 | 5,750,000 | 1,375,369 | | 2,375,000 |
| 2028-2033 | 2,705,000 | 135,225 | 4,645,000 | 2,051,644 |
| 2024-2036 | | | 5,355,000 | 389,144 |
| Totals | \$13,330,000 | \$9,224,827 | \$11,800,000 | \$12,881,258 |

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

14. LONG-TERM OBLIGATIONS (Continued)

| <u>Fiscal Year</u> <u>Ending</u> | <u>General Obligation Bonds</u> | |
|-------------------------------------|---------------------------------|-----------------|
| | <u>Capital Appreciation</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$145,000 | \$ 815,000 |
| 2019 | 100,000 | 780,000 |
| Totals | \$245,000 | \$1,595,000 |

The interest on the capital appreciation bonds represents the accretion of the deep-discounted bonds from the initial value at the time of issuance to their value at final maturity.

15. 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 2008.

| | <u>Textbooks</u> | <u>Capital Improvements</u> |
|--|------------------|-----------------------------|
| Balance June 30, 2007 | (\$4,150,498) | |
| Current Year Set Aside Requirement | 472,476 | \$472,476 |
| Qualifying Expenditures | (857,245) | |
| Current Year Offsets | | (472,476) |
| Amount Carried Forward to Fiscal Year 2008 | (\$4,535,267) | \$ 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.

16. INTERFUND TRANSFERS

During fiscal year 2008, other governmental funds made transfers to other governmental funds, in the amount of \$158,424, to fund OSFC maintenance requirements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative (NOACSC)

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. 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 2008 the School District paid \$32,115 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 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, 3325 Shawnee Road, Lima, Ohio 45806.

C. 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.

D. 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008
(Continued)**

18. INSURANCE POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool, established under Section 4123.29 of the Ohio Revised Code. The Plan was established through the Ohio School Boards Association (OSBA).

The Plan's business and affairs are conducted by a three member Board of Directors consisting of the President, the President-Elect, and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the Plan. Each year, the participants pay an enrollment fee to the Plan to cover the costs of administering the program.

19. CONTINGENCIES

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, 2008.

20. SUBSEQUENT EVENTS

The following contractual obligations were entered into for the construction of two elementary schools:

| Company | Project | Amount on Contract |
|-------------------------------------|------------------------------|-------------------------------|
| Milligan Construction Company | Cridersville Sitework | \$388,674 |
| Farnham Equipment Company | Cridersville Casework | 261,000 |
| R.A.M.E., Inc. | Cridersville Roofing | 674,000 |
| Slagle Mechanical Contractors | Cridersville HVAC | 1,929,000 |
| LoopMaster International, Inc. | Cridersville Geothermal | 363,200 |
| Ohio Plumbing and Electrical, Inc. | Cridersville Plumbing | 419,000 |
| Vulcan Fire Protection | Cridersville Fire Protection | 112,294 |
| L & A Electric | Cridersville Electrical | 1,163,560 |
| Ferguson Construction Company | Cridersville General Trades | 4,787,300 |
| Farnham Equipment Company | Wapakoneta Casework | 438,800 |
| Kelley Brothers Roofing, Inc. | Wapakoneta Roofing | 940,000 |
| Middleton Geothermal Services, LLC | Wapakoneta Geothermal | 652,256 |
| Slagle Mechanical Contractors | Wapakoneta Plumbing | 850,000 |
| Vulcan Fire Protection | Wapakoneta Fire Protection | 178,009 |
| Koester Electric, Inc. | Wapakoneta Electrical | 1,589,000 |
| Milligan Construction Company | Wapakoneta Sitework | 383,000 |
| JMC Mechanical, Inc. | Wapakoneta HVAC | 2,867,310 |
| Charles Construction Services, Inc. | Wapakoneta General Trades | 8,101,600 |

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**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2008**

| Federal Grantor/ Pass Through Grantor Program Title | Federal CFDA Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|------------------------------------|--------------------|------------------------------|---------------------|----------------------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Food Donation Program | 10.550 | | \$145,627 | | \$145,627 |
| Nutrition Cluster: | | | | | |
| School Breakfast Program | 10.553 | \$47,829 | | \$47,829 | |
| National School Lunch Program | 10.555 | 406,666 | | 406,666 | |
| Total Nutrition Cluster | | <u>454,495</u> | | <u>454,495</u> | |
| Total U.S. Department of Agriculture | | 454,495 | 145,627 | 454,495 | 145,627 |
| U.S. DEPARTMENT OF EDUCATION | | | | | |
| (Passed through Ohio Department of Education) | | | | | |
| Title I, Grants to Local Educational Agencies | 84.010 | 369,252 | | 369,252 | |
| Special Education Grants to States | 84.027 | 714,671 | | 714,671 | |
| Safe and Drug-Free Schools and Communities State Grants | 84.186 | 10,107 | | 10,107 | |
| State Grants for Innovative Programs | 84.298 | 7,072 | | 7,072 | |
| Education Technology State Grants | 84.318 | 3,080 | | 3,736 | |
| Improving Teacher Quality State Grants | 84.367 | <u>130,064</u> | | <u>130,064</u> | |
| Total U.S. Department of Education | | <u>1,234,246</u> | | <u>1,234,902</u> | |
| Total Federal Assistance | | <u>\$1,688,741</u> | <u>\$145,627</u> | <u>\$1,689,397</u> | <u>\$145,627</u> |

See accompanying notes to the schedule of federal awards receipts and expenditures.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2008**

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 - CHILD NUTRITION CLUSTER

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

NOTE C – FOOD DONATION PROGRAM

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 value of the commodities received.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require that the School District contribute non-Federal funds (matching funds) to support the federally-funded programs. The School District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the schedule.



Mary Taylor, CPA

Auditor of State

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 Wapakoneta City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements and have issued our report thereon dated April 3, 2009, wherein, we noted the School District uses a comprehensive accounting basis other than generally accepted accounting principles. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School District's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School District's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We noted a certain matter that we reported to the School District's management in a separate letter dated April 3, 2009.

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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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2008-001.

We also noted certain noncompliance and other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter date April 3, 2009.

The School District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the School District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of the finance 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

April 3, 2009



Mary Taylor, CPA

Auditor of State

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, 2008. 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, Auglaize County, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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

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**Internal Control Over Compliance
(Continued)**

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the School District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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



Mary Taylor, CPA
Auditor of State

April 3, 2009

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | No |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control 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): | Special Education Grants to States – 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 2008-001

Ohio Rev. Code Section 117.38 states, in part, 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.

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.

**FINDING NUMBER 2008-001
(Continued)**

Officials' Response:

Wapakoneta City Schools has discontinued converting the cash basis financial statements to GAAP for the following reasons:

1. **Lack of Adequate Funding/Financing:** Board Resolution number 118-03, September 2003, gave the fiscal officer permission to stop converting the cash basis financial statements to GAAP until adequate funding is available to Wapakoneta City Schools. The Board of Education determined it could not justify the added expense of converting to GAAP reporting and the additional audit costs. The board of education chooses to direct those funds toward individual student achievements.
2. **Individual Student Achievement is Wapakoneta City Schools' Priority:** The Board of Education authorized the Superintendent to enter into an agreement with Auglaize County Educational Service Center to add two and one half kindergarten aides with the funds that the Board saved from discontinuing GAAP reporting. Wapakoneta City Schools is continuing to have part time aides in the kindergarten classrooms to support individual student achievement.
3. **Five Year Forecast/Management Analysis Tools:** Wapakoneta City Schools has been preparing a five year forecast since 1993. The Administrative Team had an architectural study prepared in 1993 to determine student capacities, structural soundness, and operational efficiencies of each building owned by Wapakoneta City Schools. Also, the fiscal officer prepares and utilizes the expenditure flow model analysis for the purpose of long range planning by the board, finance, and facilities committees. The GAAP report has not been utilized in any capacity as a tool for management.
4. **Complete reappraisal of all property:** Every five years the Board authorizes a complete reappraisal and tagging of all board owned property by an outside professional appraisal firm as further documentation of assets.
5. **OCBOA:** Wapakoneta City Schools prepares an Other Comprehensive Basis of Accounting report which incorporates GASB 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants.

| |
|--|
| 3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS |
|--|

None

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2008**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2007-001 | Ohio Rev. Code Section 117.38; Ohio Admin. Code Section 117-2-03 (B) Report should be filed in accordance with generally accepted accounting principles. | No | Repeated as finding 2008-001 |



Mary Taylor, CPA
Auditor of State

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
MAY 7, 2009