



**Auditor of State  
Betty Montgomery**



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Board of Education:

We have audited the accompanying financial statements of Wapakoneta City School District, Auglaize County, (the District), as of and for the year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects the combined fund cash balances of Wapakoneta City School District, as of June 30, 2004, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2004, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We conducted our audit to form an opinion on the financial statements. U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations* requires presenting a schedule of federal awards that is not a required part of the financial statements. We subjected the schedule of federal award expenditures to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

**Betty Montgomery**  
Auditor of State

December 30, 2004

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,  
AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
<b>Cash Receipts:</b>					
Taxes	\$6,847,578		\$840,493	\$914,787	\$8,602,858
Tuition	239,666				239,666
Transportation Fees	8,199				8,199
Intergovernmental	12,237,291	\$1,266,495	102,020	84,937	13,690,743
Interest	177,720	238		949	178,907
Extracurricular Activities		195,548			195,548
Classroom Materials & Fees	103,952				103,952
Miscellaneous	158,569	8,682		111,006	278,257
<b>Total Cash Receipts</b>	<b>19,772,975</b>	<b>1,470,963</b>	<b>942,513</b>	<b>1,111,679</b>	<b>23,298,130</b>
<b>Cash Disbursements:</b>					
Current:					
Instruction:					
Regular	10,173,846	626,720			10,800,566
Special	1,406,562	339,785			1,746,347
Vocational	256,017	929			256,946
Adult/Continuing		556			556
Other	643,592				643,592
Support Services:					
Pupils	992,284	36,522			1,028,806
Instruction	857,017	106,391		55,505	1,018,913
Board of Education	19,639				19,639
Administration	1,586,708	73,172			1,659,880
Fiscal	479,131		19,677	16,381	515,189
Operation and Maintenance	2,055,207				2,055,207
Transportation	1,040,777	469		84,024	1,125,270
Central Services		29,589			29,589
Noninstructional Services	2,945	124,975			127,920
Extracurricular Activities	293,261	155,818			449,079
Capital Outlay				1,808,364	1,808,364
Debt Service:			927,054		927,054
<b>Total Cash Disbursements</b>	<b>19,806,986</b>	<b>1,494,926</b>	<b>946,731</b>	<b>1,964,274</b>	<b>24,212,917</b>
<b>Total Receipts Over (Under) Disbursements</b>	<b>(34,011)</b>	<b>(23,963)</b>	<b>(4,218)</b>	<b>(852,595)</b>	<b>(914,787)</b>
<b>Other Financing Receipts (Disbursements):</b>					
Proceeds from Sale of Fixed Assets	907				907
Refund of Prior Year Disbursements	500,863	593			501,456
<b>Total Other Financing Receipts (Disbursements)</b>	<b>501,770</b>	<b>593</b>			<b>502,363</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements and other Financing Disbursements</b>	<b>467,759</b>	<b>(23,370)</b>	<b>(4,218)</b>	<b>(852,595)</b>	<b>(412,424)</b>
<b>Fund Cash Balances at Beginning of Year</b>	<b>4,178,217</b>	<b>59,304</b>	<b>1,120,348</b>	<b>3,210,087</b>	<b>1,295</b>
<b>Fund Cash Balances at End of Year</b>	<b>\$4,645,976</b>	<b>\$35,934</b>	<b>\$1,116,130</b>	<b>\$2,357,492</b>	<b>\$1,295</b>

The accompanying notes are an integral part of the financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND CHANGES IN FUND CASH BALANCES  
PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Food Services	\$697,030		\$697,030
Extracurricular Activities		\$176,695	176,695
Miscellaneous			
Total Operating Cash Receipts	<u>697,030</u>	<u>176,695</u>	<u>873,725</u>
<b>Operating Cash Disbursements:</b>			
Salaries	417,981		417,981
Fringe Benefits	217,913	6,733	224,646
Purchased Services	67,299		67,299
Materials and Supplies	294,095	3,878	297,973
Capital Outlay	1,000		1,000
Other Objects	1,577	180,037	181,614
Total Operating Cash Disbursements	<u>999,865</u>	<u>190,648</u>	<u>1,190,513</u>
Operating Income (Loss)	(302,835)	(13,953)	(316,788)
<b>Non-Operating Cash Receipts:</b>			
Miscellaneous	2,794	1,900	4,694
Interest	516	7,001	7,517
Refund of Prior Year Expenditures	536		536
Federal and State Subsidies	313,955		313,955
Total Non-Operating Cash Receipts	<u>317,801</u>	<u>8,901</u>	<u>326,702</u>
Excess of Receipts Over (Under) Disbursements	14,966	(5,052)	9,914
Fund Balances at Beginning of Year	<u>94,473</u>	<u>782,620</u>	<u>877,093</u>
Fund Balances at End of Year	<u>\$109,439</u>	<u>\$777,568</u>	<u>\$887,007</u>

*The accompanying notes are an integral part of the financial statements.*



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Fund Types/Fund</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable/ (Unfavorable)</b>
<b>Governmental:</b>			
General Fund	\$20,264,692	\$20,274,745	\$10,053
Special Revenue Funds	1,624,178	1,471,556	(152,622)
Debt Service Funds	941,082	942,513	1,431
Capital Project Funds	1,111,679	1,111,679	
<b>Proprietary:</b>			
Enterprise Funds	1,014,831	1,014,831	
<b>Fiduciary:</b>			
Trust and Agency Funds	161,411	178,595	17,184
<b>Total (Memorandum Only)</b>	<b><u>\$25,117,873</u></b>	<b><u>\$24,993,919</u></b>	<b><u>(\$123,954)</u></b>

*The notes to the financial statements are an integral part of this statement.*

WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND  
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

Fund Types/Fund	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding At 6/30/04	Total	Variance Favorable/ (Unfavorable)
<b>Governmental:</b>							
General Fund	\$417,946	\$19,837,366	\$20,255,312	\$19,806,986	\$276,594	\$20,083,580	\$171,732
Special Revenue Funds	7,021	1,608,606	1,615,627	1,494,926	19,624	1,514,550	101,077
Debt Service Funds		946,731	946,731	946,731		946,731	
Capital Project Funds	2,403,413	1,857,346	4,260,759	1,964,274	941,395	2,905,669	1,355,090
<b>Proprietary:</b>							
Enterprise Funds	158	1,073,674	1,073,832	999,865	749	1,000,614	73,218
<b>Fiduciary:</b>							
Trust and Agency Funds	14,830	243,572	258,402	183,915	14,513	198,428	59,974
Total (Memorandum Only)	<u>\$2,843,368</u>	<u>\$25,567,295</u>	<u>\$28,410,663</u>	<u>\$25,396,697</u>	<u>\$1,252,875</u>	<u>\$26,649,572</u>	<u>\$1,761,091</u>

The notes to the financial statements are an integral part of this statement.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

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

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

The District was established through the consolidation of existing land areas and school districts. The District serves an area of approximately one hundred fifty-five square miles. It is located in Auglaize County. It is staffed by one hundred eighteen classified employees; one hundred seventy eight certified teaching personnel, and seventeen administrative/supervisory employees who provide services to 3,077 students and other community members. The District currently operates four elementary schools, a middle school, a high school, an administration and a garage building.

**Reporting Entity**

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

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

Within the 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 District, as directed by the parochial school.

The District participates in six jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Ohio Regional Professional Development Center, Northwestern Ohio Education Research Council, Inc., West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, and the Ohio School Board Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 12 and 13 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles.

This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters in accordance with the basis of accounting described in the preceding paragraph.

**B. Fund Accounting**

The District maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements.

The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

**1. Governmental Fund Types**

**General Fund** - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

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

**Debt Service Funds** - The debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**2. Proprietary Fund Types**

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

**Enterprise Funds** - The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

**3. Fiduciary Fund Type**

**Fiduciary Funds** - are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include trust and agency funds. If the agreement requires the District to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable.

**C. Budgetary Process**

**1. Budget**

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year. The Auglaize County budget commission has waived the budget filing requirement.

**2. Estimated Resources**

The County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources.

The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2003 unencumbered fund balances. However, those fund balances are available for appropriations.

**3. Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**4. Encumbrances**

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**D. Cash and Investments**

To improve cash management, all cash received by the District Treasurer is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through District accounting records.

Investments are stated at cost which approximates market value. Investment earnings are allocated as authorized by State statute based upon District policy.

**E. Unpaid Vacation and Sick Leave**

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 District.

**F. Property, Plant and Equipment**

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

**G. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**3. DEPOSITS AND INVESTMENTS**

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

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

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

Investments in stripped principal or interest obligation, 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.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District and must be purchased with the expectation that it will be held to maturity. Investments may be made only through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements".

**Deposits:** At June 30, 2004, the carrying amount of the District's deposits was \$1,993,097 and the bank balance was \$2,323,987. Of the bank balance, \$526,810 was covered by federal depository insurance and \$82,896 was covered by specific pledged collateral, and \$1,714,281 was uninsured and uncollateralized. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Federal Home Loan Mortgage Bonds	\$840,688	\$	\$840,688	\$1,024,296
Federal National Mortgage Association Bonds	1,042,135	-	1,042,135	900,000
Federal Home Loan Bank	1,385,527		1,385,527	1,400,000
Corporate Bonds	395,104		395,104	396,000
Repurchase Agreement	-	424,742	424,742	424,742
Sub-total	<u>\$3,663,454</u>	<u>\$ 424,742</u>	4,088,196	4,145,038
STAR Ohio			2,905,699	2,905,699
Totals			<u>\$6,993,895</u>	<u>\$7,050,737</u>

**4. INCOME TAXES**

The District levies a voted tax of 0.50 percent for general operations and 0.25 percent for permanent improvements on the income of residents and of estates. The 0.50 percent portion of the tax was effective January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund and the Permanent Improvement capital projects fund.



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**5. PROPERTY TAX**

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, 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 revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2004, on the value as of December 31, 2003.

Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-four percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Auglaize County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent. The assessed values upon which the fiscal year 2004 taxes were collected are:

	<b>2003 Second Half Collections</b>		<b>2004 First Half Collections</b>	
	<b>Amount</b>	<b>Percent</b>	<b>Amount</b>	<b>Percent</b>
Agricultural/Residential and Other Real Estate	\$243,706,890	84.97 %	\$247,198,680	85.48 %
Public Utility Personal	12,053,860	4.20	11,583,460	4.01
Tangible Personal Property	31,051,294	10.83	30,395,717	10.51
<b>Total</b>	<b>\$286,812,044</b>	<b>100.00 %</b>	<b>\$289,177,857</b>	<b>100.00 %</b>
Tax rate per \$1,000 of assessed valuation	\$29.80		\$29.60	

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. PAYMENT IN LIEU OF TAXES**

As provided by State law, the District has entered into agreements with a number of property owners in which the District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2004 were \$97,500.

**7. DEBT OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2004 were as follows:

	<u>Balance at 6/30/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/04</u>
General Long-Term Obligations				
1988, 0% Asbestos Removal Loan	\$19,097	\$ 0	\$7,639	\$11,458
1990, 0% Asbestos Removal Loan	48,694	0	10,821	37,873
1987, 8.25% High School General Obligation Bonds	3,750,000	0	625,000	3,125,000
Total Long-Term Obligations	<u>\$3,817,791</u>	<u>\$ 0</u>	<u>\$643,460</u>	<u>\$3,174,331</u>

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

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

The District's overall debt margin was \$24,017,137, with an unvoted debt margin of \$289,178 at June 30, 2004.

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>			<u>Asbestos Removal</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2005	\$625,000	\$232,031	\$857,031	\$18,460
2006	625,000	180,469	805,469	14,640
2007	625,000	128,906	753,906	10,820
2008	625,000	77,344	702,344	5,411
2009	625,000	25,781	650,781	0
Total	<u>\$3,125,000</u>	<u>\$644,53112</u>	<u>\$3,769,531</u>	<u>\$49,331</u>

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. RISK MANAGEMENT**

**A. Public Liability**

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2004, the District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Building and Contents	55,154,387
Musical Instruments	128,895
Computer Equipment	537,671
Inland Marine	140,809
School Leaders Errors and Omissions	1,000,000

Coverage provided by Midwestern Indemnity Company is as follows:

Automobile Liability	
Per Occurrence	1,000,000
Commercial General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefits Liability	
Each Employee	1,000,000
Aggregate	3,000,000
Omission Liability	
Each loss	1,000,000
Aggregate	1,000,000
Excess Liability	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.

**B. Health Care Benefits**

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

**C. Special Termination Benefit**

The District provides a special termination benefit to eligible certified employees. In order to be eligible, the certified employee: 1) Must have ten or more years of service with the District as a member of the bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement; 2) Must have 30 years membership under STRS; and 3) Must give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement under STRS. Certified employees meeting the requirements shall receive an amount equal to one day severance pay for each year of service to the District, not to exceed thirty days. The District will pay the incentive to qualifying bargaining unit members in one lump sum payment. Such payment shall be made no later than twelve months following the effective date of separation.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**8. RISK MANAGEMENT (continued)**

**D. Workers' Compensation**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool. The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Gates McDonald Workers' Compensation Services provides administrative, cost control, and actuarial services to the GRP.

**9. CONTRACTUAL COMMITMENTS**

As of June 30, 2004, the District had contractual commitments as follows:

<b>Company</b>	<b>Project</b>	<b>Amount Remaining On Contract</b>
NOACSC	Data Services	\$ 11,844
Thomas/Marker Const. Co.	HVAC MS Project	185,700
Frost & Co., Inc.	HVAC MS Project	21,557
Central Fire	HVAC MS Project	25,296
Smith-Boughan, Inc.	HVAC MS Project	359,522
Sprint Electric	HVAC MS Project	83,726
Scott Foresman-Addison Wesley	M.S. Textbooks	13,873
Friends Business Source	Classroom Supplies	11,906
Buehler Asphalt Paving, Inc.	High School Paving Projects	20,000
Drossco Custom Hardwood	Middle School Gym Floor	10,800
Dietrich, Inc.	Middle School Carpeting	11,305
Northwest OH Security Systems, Inc.	High School Security System	28,150
Myers Equipments Corp.	Buses	87,370
Schneider Signs	High School Sign	23,772
Trisco Systems, Inc.	High School Masonry Repair	24,774
Total		<u>\$919,595</u>

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**10. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3476.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 4.91 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board.

The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$241,808, \$211,571 and \$134,327 respectively; 41 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

**B. State Teachers Retirement System**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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 50 and termination of employment.

The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement 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 District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,230,593, \$1,187,225, and \$825,989 respectively; 83 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$6,075 made by the District and \$8,878 made by the plan members.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. There are two board members currently enrolled in the Social Security System. The Board's liability is 6.2 percent of wages paid.

**11. POST RETIREMENT BENEFITS**

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

All STRS Ohio benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Most benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the year ended June 30, 2004, the board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Stabilization Fund for which payments for health care benefits are paid. For the District, this amount was \$94,661 for the 2004 fiscal year.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**11. POST RETIREMENT BENEFITS (Continued)**

STRS pays health care benefits for the Health Care Stabilization Fund. The balance in the fund was \$3.1 million at June 30, 2004. For the fiscal year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000, and STRS Ohio had 111,853 eligible benefit recipients.

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

At June 30, 2004, the employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the District the amount to fund health care equaled \$183,816, including surcharge, during the 2004 fiscal year.

The surcharge added to the unallocated portion of the 14 percent employer contribution rate, provides for the maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 20, 2004, were \$223,443,805, and the target level was \$335.2 million. SERS has approximately 62,000 participants currently receiving health care benefits and net assets available for payment of health care benefits was \$300.8 million.

**12. JOINTLY GOVERNED ORGANIZATIONS**

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

The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating school district and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating school districts are located. The degree of control exercised by any participating school district is limited to its representation of the Board. Financial information can be obtained by contacting Michael Wildermuth, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

**B. Apollo Joint Vocational School**

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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

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

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

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

The Northwestern Ohio Education 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 Education Research Council, Inc., Box 456, Ashland, Ohio 44805.

**E. Southwestern Ohio Educational Purchasing Cooperative**

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities.

The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 1831 Harshman Road, Dayton, Ohio 45424.



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

**F. West Central Ohio Special Education Regional Resource Center**

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents.

The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

**13. INSURANCE POOL**

The District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The intent of the Plan is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants in the Plan.

Each participant pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the Plan. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control, and actuarial services to the Plan.

**14. STATUTORY RESERVES**

The District is required by state law to set aside certain general fund revenue amounts, as defined, into various reserves. For fiscal year ended June 30, 2004, the reserve activity was as follows:

	<b>Textbooks</b>	<b>Capital Improvements</b>
Set-Aside Cash Balance as of June 30, 2003	\$(2,884,879)	\$(507,168)
Required Set-Aside	437,788	437,788
Qualifying Expenditures	(583,873)	0
Qualifying Offsets	0	(914,787)
Excess Expenditures Available for Carry-over to Subsequent Year	\$(3,030,964)	\$(984,167)

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero, these extra amounts may be used to reduce the set-aside requirements of future years.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**15. CONTINGENCIES**

**A. Grants**

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2004.

**B. Litigation**

The District is of the opinion that any current or future claims will either result in a favorable outcome or be covered by current insurance policies, so as not to materially affect the overall financial position of the District.

**16. STATE SCHOOL FUNDING DECISION**

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Non-Cash Receipts</b>	<b>Disbursements</b>	<b>Non-Cash Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
(Passed through Ohio Department of Education)						
Nutrition Cluster:						
Food Distribution Program	N/A	10.550		\$149,871		\$124,748
School Breakfast Program	044982-05PU-2003 044982-05PU-2004	10.553	\$6,416 15,988		\$6,416 15,988	
Total School Breakfast Program			22,404		22,404	
National School Lunch Program	044982-LLP4-2004 044982-LLP4-2003	10.555	200,290 79,249		200,290 79,249	
Total National School Lunch			279,539		279,539	
Total U.S. Department of Agriculture - Nutrition Cluster			301,943	149,871	301,943	124,748
<b>U.S. DEPARTMENT OF EDUCATION</b>						
(Passed through Ohio Department of Education)						
Title I, Targeted Assistance	044982-C1S1-2004	84.010	391,745		391,745	
Title II-D, Technology Literacy Challenge Grant	044982-TJS1-2004	84.318	10,603		10,603	
Title VI-B, Access-Cridersville	044982-6BSD-2004-P	84.027	6,000		9,841	
Title VI-B, Special Education Grants to States	044982-6BSF-2004-P	84.027	423,478		423,478	
Total Special Education			429,478		433,319	
Title V, Innovative Education Program Strategies	044982-C2S1-2004	84.298	17,732		17,732	
Drug Free Schools and Communities	044982-DRS1-2004	84.186	13,262		13,262	
Title IIA, Improving Teacher Quality	044982-TRS1-2004	84.367	134,595		134,595	
Learn and Serve America	044982-SVS1-2004	94.004	5,400		30,000	
Total U.S. Department of Education			1,002,815		1,031,256	
<b>Total Federal Assistance</b>			<b>\$1,304,758</b>	<b>\$149,871</b>	<b>\$1,333,199</b>	<b>\$124,748</b>

See accompanying notes to the schedule of federal awards expenditures.

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
JUNE 30, 2004**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - NUTRITION CLUSTER**

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

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

**NOTE C - MATCHING REQUIREMENTS**

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



## **Auditor of State Betty Montgomery**

### **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL 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 Wapakoneta City School District, Auglaize County, (the District), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 30, 2004, wherein we noted that the District implemented the basis of accounting previously prescribed by the Auditor of State for financial reporting rather than generally accepted accounting principles which is now required. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

#### **Compliance**

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially effect determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated December 30, 2004.

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

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated December 30, 2004.

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

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

**Betty Montgomery**  
Auditor of State

December 30, 2004



## Auditor of State Betty Montgomery

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

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 District), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

#### Internal Control Over Compliance

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402  
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

**Internal Control Over Compliance  
(Continued)**

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

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



**Betty Montgomery**  
Auditor of State

December 30, 2004



**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2004**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Nutrition Cluster CFDA #10.550, #10.553, #10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

**FINDING NUMBER 2003-001**

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

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

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

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

None

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2004  
OMB CIRCULAR A -133 ' .315 (b)**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-001	Ohio Rev. Code Section 117.38; Ohio Admin Code Section 117-2-03 (B)	No	Not corrected – reporting on cash basis.





**Auditor of State  
Betty Montgomery**

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140

Telephone 614-466-4514  
800-282-0370

Facsimile 614-466-4490

**WAPAKONETA CITY SCHOOL DISTRICT  
AUGLAIZE COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
FEBRUARY 10, 2005**