



**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2006



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, 2006, 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 modified cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, as of June 30, 2006, and the respective changes in modified cash financial position and the budgetary comparison for the General fund thereof 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 February 22, 2007, 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 Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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



Mary Taylor, CPA
Auditor of State

February 22, 2007

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
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, 2006, within the limitations of modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

HIGHLIGHTS

Highlights for fiscal year 2006 are as follows:

- Net assets increased \$1,007,016, or 10 percent. During fiscal year 2006, the School District did not disburse the property taxes and income taxes collected for permanent improvements.
- Total receipts increased by \$891,248, or 3.5 percent, while disbursements increased by \$607,741, or 2.5 percent.
- The School District's general receipts, those being primarily property taxes, income taxes, and unrestricted state entitlements, were 84 percent of the total cash received during the fiscal year. Dependence on these three revenue sources is significant.

USING THE BASIC FINANCIAL STATEMENTS

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

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

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

The statement of net assets and the statement of activities provide information about the cash activities of the 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, Bond Retirement debt service fund, and Permanent Improvement capital projects fund are the most significant funds.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

REPORTING THE SCHOOL DISTRICT AS A WHOLE

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

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

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

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

REPORTING THE SCHOOL DISTRICT'S MOST SIGNIFICANT FUNDS

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

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 modified 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT AS A WHOLE

Table 1 provides a summary of the School District's net assets for fiscal year 2006 compared with fiscal year 2005:

**Table 1
Net Assets**

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Assets:		
Cash and Cash Equivalents	\$10,679,854	\$9,672,838
Net Assets:		
Restricted	4,621,240	3,591,339
Unrestricted	6,058,614	6,081,499
Total Net Assets	<u>\$10,679,854</u>	<u>\$9,672,838</u>

Total net assets increased \$1,007,016, or 10 percent. The majority of the increase is due to not disbursing the receipts restricted for the purchase of permanent improvements.

Table 2 reflects the change in net assets for fiscal year 2006 compared with fiscal year 2005.

**Table 2
Change in Net Assets**

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program Receipts		
Charges for Services	\$1,233,062	\$1,181,826
Operating Grants, Contributions, and Interest	2,825,727	2,893,558
Capital Grants and Contributions	151,993	4,790
Total Program Receipts	<u>4,210,782</u>	<u>4,080,174</u>
General Receipts		
Property Taxes Levied for General Purposes	5,705,664	5,487,990
Property Taxes Levied for Debt Service	780,358	835,704
Property Taxes Levied for Permanent Improvements	184,804	184,695
Income Taxes Levied for General Purposes	1,719,955	1,626,332
Income Taxes Levied for Permanent Improvements	847,142	801,028
Payment in Lieu of Taxes	15,000	115,500
Grants and Entitlements	12,301,592	11,960,448
Interest	408,173	204,504
Miscellaneous	60,819	46,666
Total General Receipts	<u>22,023,507</u>	<u>21,262,867</u>
Total Receipts	<u>26,234,289</u>	<u>25,343,041</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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

	Governmental Activities	
	2006	2005
Disbursements:		
Instruction:		
Regular	12,139,578	11,426,572
Special	1,767,833	1,638,897
Vocational	423,160	364,206
Adult/Continuing		1,031
Support Services:		
Pupils	1,071,160	1,180,683
Instructional Staff	1,129,989	954,503
Board of Education	15,937	17,956
Administration	1,729,149	1,697,819
Fiscal	514,791	501,554
Operation and Maintenance of Plant	2,490,083	1,964,651
Pupil Transportation	1,150,703	1,268,385
Central	58,898	70,946
Non-Instructional Services	1,181,343	1,236,299
Extracurricular Activities	512,398	502,741
Capital Outlay	222,142	917,798
Debt Service:		
Principal Retirement	639,640	643,460
Interest and Fiscal Charges	180,469	232,031
Total Disbursements	<u>25,227,273</u>	<u>24,619,532</u>
Increase in Net Assets	<u>\$1,007,016</u>	<u>\$723,509</u>
Net Assets at Beginning of Year	<u>9,672,838</u>	<u>8,949,329</u>
Net Assets at End of year	<u><u>\$10,679,854</u></u>	<u><u>\$9,672,838</u></u>

Program receipts continued to represent 16 percent of total receipts and are primarily represented by restricted intergovernmental receipts, charges for tuition and fees, cafeteria sales, and extracurricular activities admissions.

As stated previously, general receipts represent 84 percent of the School District's total receipts, and of this amount, 56 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts (42 percent). Other receipts, such as interest is very insignificant and somewhat unpredictable revenue source.

The major program disbursements for governmental activities are for instruction, which accounts for 57 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 13 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 10 percent. Therefore, approximately 80 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

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		Net Cost of Services	
	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Instruction:				
Regular	\$12,139,578	\$11,426,572	\$11,615,528	\$10,400,341
Special	1,767,833	1,638,897	(117,879)	151,172
Vocational	423,160	364,206	304,730	258,987
Adult/Continuing		1,031		
Support Services:				
Pupils	1,071,160	1,180,683	1,058,792	1,180,683
Instructional Staff	1,129,989	954,503	1,129,989	954,503
Board of Education	15,937	17,956	15,937	17,956
Administration	1,729,149	1,697,819	1,729,149	1,693,419
Fiscal	514,791	501,554	511,291	501,554
Operation and Maintenance of Plant	2,490,083	1,964,651	2,489,883	1,964,651
Pupil Transportation	1,150,703	1,268,385	1,063,016	1,252,684
Central	58,898	70,946	43,898	46,056
Non-Instructional Services	1,181,343	1,236,299	(23,451)	56,229
Extracurricular Activities	512,398	502,741	153,357	267,834
Capital Outlay	222,142	917,798	222,142	917,798
Debt Service:				
Principal Retirement	639,640	643,460	639,640	643,460
Interest and Fiscal Charges	180,469	232,031	180,469	232,031
Total Disbursements	<u>\$25,227,273</u>	<u>\$24,619,532</u>	<u>\$21,016,491</u>	<u>\$20,539,358</u>

The dependence upon tax receipts and unrestricted state entitlements is apparent as 83 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities was fully funded through program receipts. This is the result of operating grants and contributions restricted for special instruction purposes.

Non-Instructional services disbursements (primarily food services) were fully covered by program receipts for fiscal year 2006. This is primarily due to cafeteria sales, and state and federal subsidies and donated commodities for food service. Also included within non-instructional services are disbursements for parochial schools which only spent approximately half of their annual allocation from the State. Program receipts increased to 70 percent in fiscal year 2006 from 47 percent of extracurricular activities disbursements in fiscal year 2005. This is mainly due to a capital donation for capital improvements to the athletic facilities.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

THE SCHOOL DISTRICT'S FUNDS

The School District's governmental funds are accounted for using the modified cash basis of accounting. The General Fund saw small increases in all major revenue sources, such as property taxes, income taxes, unrestricted state entitlements, and interest. Disbursements increased in line with receipts during fiscal year 2006.

The levy generating property tax receipts in the Bond Retirement debt service fund was reduced because collections were more than sufficient to cover current and future fiscal year debt service requirements.

The most significant increase in fund balance was in the Permanent Improvement capital projects fund. Receipts from property taxes and income taxes slightly increased; however, the School District did not spend as much in capital outlay as in prior fiscal years in anticipation of the construction costs for a new dry storage and bus service center and a performing arts auditorium in the high school.

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 2006, the School District amended its General Fund budget as needed. The final budget for both estimated receipts and estimated disbursements were lower than original estimates; however, the changes were not significant. Changes from the final budget to actual receipts and disbursements were also not significant.

CURRENT ISSUES

Wapakoneta City School District is the 28th school district on the current Ohio School Facilities Commission list for eligibility for State construction funding. The School District has retained the services of Seasongood and Mayer, LLC, Peck, Shaffer and Williams, and Garmann Miller in connection with proposed school improvement bonds.

The School District will only be making necessary improvements to the existing instructional buildings until Ohio School Facilities Commission funding has been approved.

Final designs and authorization to bid the new bus facility was made with bid openings in January 2007. Committee meetings have continued to be held on the construction of the performing arts auditorium at the high school.

Per the union negotiations, salaries increased by 3 percent for fiscal year 2007. Health care premiums increased 9 percent beginning October 2006.

The General Fund's appropriations increased almost \$1,500,000 for fiscal year 2007 due to the increases in salaries and health care premiums.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
UNAUDITED
(Continued)**

CONTACTING THE SCHOOL DISTRICT'S FISCAL 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.

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**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
JUNE 30, 2006**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$10,679,854
Net Assets:	
Restricted for:	
Capital Projects	\$3,175,268
Debt Service	1,186,442
Other Purposes	259,530
Unrestricted	<u>6,058,614</u>
Total Net Assets	<u><u>\$10,679,854</u></u>

See Accompanying Notes to Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$6,058,614	\$1,186,442	\$3,175,268	\$242,306	\$10,662,630
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	17,224				17,224
Total Assets	<u>6,075,838</u>	<u>1,186,442</u>	<u>3,175,268</u>	<u>242,306</u>	<u>10,679,854</u>
Fund Balances:					
Reserved for Encumbrances	111,152		325,822	7,969	444,943
Reserved for Bus Purchases	17,224				17,224
Unreserved, Reported in:					
General Fund	5,947,462				5,947,462
Special Revenue Funds				234,337	234,337
Debt Service Fund		1,186,442			1,186,442
Capital Projects Fund			2,849,446		2,849,446
Total Fund Balances	<u>\$6,075,838</u>	<u>\$1,186,442</u>	<u>\$3,175,268</u>	<u>\$242,306</u>	<u>\$10,679,854</u>

See Accompanying Notes to Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN FUND BALANCES
MODIFIED CASH BASIS - GOVERNMENTAL FUNDS
FOR FISCAL YEAR ENDED JUNE 30, 2006**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$5,705,664	\$780,358	\$184,804		\$6,670,826
Income Taxes	1,719,955		847,142		2,567,097
Payment in Lieu of Taxes	15,000				15,000
Intergovernmental	13,301,442	87,504	19,203	1,769,163	15,177,312
Interest	401,375		4,120	2,678	408,173
Tuition and Fees	264,269				264,269
Extracurricular Activities				231,630	231,630
Charges for Services	3,500			733,663	737,163
Gifts and Donations	2,200		102,000	26,411	130,611
Miscellaneous	19,548			12,660	32,208
Total Receipts	<u>21,432,953</u>	<u>867,862</u>	<u>1,157,269</u>	<u>2,776,205</u>	<u>26,234,289</u>
Disbursements:					
Current:					
Instruction:					
Regular	11,679,475			460,103	12,139,578
Special	1,358,989			408,844	1,767,833
Vocational	423,160				423,160
Support Services:					
Pupils	848,982			222,178	1,071,160
Instructional Staff	1,056,550			73,439	1,129,989
Board of Education	15,937				15,937
Administration	1,586,563			142,586	1,729,149
Fiscal	478,937	17,765	18,089		514,791
Operation and Maintenance of Plant	2,473,923			16,160	2,490,083
Pupil Transportation	1,149,813			890	1,150,703
Central	33,530			25,368	58,898
Non-Instructional Services				1,181,343	1,181,343
Extracurricular Activities	332,755			179,643	512,398
Capital Outlay			222,142		222,142
Debt Service:					
Principal Retirement		639,640			639,640
Interest and Fiscal Charges		180,469			180,469
Total Disbursements	<u>21,438,614</u>	<u>837,874</u>	<u>240,231</u>	<u>2,710,554</u>	<u>25,227,273</u>
Changes in Fund Balances	(5,661)	29,988	917,038	65,651	1,007,016
Fund Balances at Beginning of Year	<u>6,081,499</u>	<u>1,156,454</u>	<u>2,258,230</u>	<u>176,655</u>	<u>9,672,838</u>
Fund Balances at End of Year	<u><u>\$6,075,838</u></u>	<u><u>\$1,186,442</u></u>	<u><u>\$3,175,268</u></u>	<u><u>\$242,306</u></u>	<u><u>\$10,679,854</u></u>

See Accompanying Notes to Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGE IN FUND BALANCE
BUDGET TO ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$5,580,318	\$5,676,168	\$5,705,664	\$29,496
Income Taxes	1,680,583	1,719,955	1,719,955	
Payment in Lieu of Taxes	15,000	15,000	15,000	
Intergovernmental	13,639,757	13,317,183	13,301,442	(15,741)
Interest	350,402	363,024	363,024	
Tuition and Fees	239,087	264,269	264,269	
Charges for Services	4,400	3,500	3,500	
Gifts and Donations	822	2,200	2,200	
Miscellaneous	142,930	19,538	19,548	10
Total Receipts	21,653,299	21,380,837	21,394,602	13,765
Disbursements:				
Current:				
Instruction:				
Regular	10,412,919	10,171,692	10,149,871	21,821
Special	1,534,169	1,366,232	1,360,736	5,496
Vocational	429,007	430,390	423,423	6,967
Other	1,242,863	1,592,985	1,560,775	32,210
Support Services:				
Pupils	1,151,264	860,380	849,481	10,899
Instructional Staff	1,309,660	1,129,556	1,067,175	62,381
Board of Education	21,009	16,521	15,937	584
Administration	1,644,838	1,592,737	1,586,563	6,174
Fiscal	508,028	491,503	479,300	12,203
Operation and Maintenance of Plant	2,823,187	2,748,509	2,534,275	214,234
Pupil Transportation	1,272,967	1,200,371	1,149,813	50,558
Central	46,287	46,287	33,530	12,757
Non-Instructional Services	3,500			
Extracurricular Activities	332,077	332,755	332,755	
Total Disbursements	22,731,775	21,979,918	21,543,634	436,284
Excess of Receipts Under Disbursements	(1,078,476)	(599,081)	(149,032)	450,049
Other Financing Sources (Uses):				
Refund of Prior Year Receipts	(1,003)	(1,003)		1,003
Total Other Financing Sources	(1,003)	(1,003)		1,003
Changes in Fund Balance	(1,079,479)	(600,084)	(149,032)	451,052
Fund Balance at Beginning of Year	4,864,232	4,864,232	4,864,232	
Prior Year Encumbrances Appropriated	526,675	526,675	526,675	
Fund Balance at End of Year	\$4,311,428	\$4,790,823	\$5,241,875	\$451,052

See Accompanying Notes to Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Agency Funds
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$91,088</u>
Net Assets:	
Undistributed Assets	8,417
Due to Students	<u>82,671</u>
Total Net Assets	<u><u>\$91,088</u></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, 2006**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred-fifty square miles. It is located in Auglaize County. The School District is the 150th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred seventeen classified employees, one hundred seventy-four certified teaching personnel, and twelve administrative employees who provide services to three thousand twenty three students and other community members. The School District currently operates three elementary schools, a middle school, a high school, an administration building, and an operations building.

A. Reporting Entity

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

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

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

The School District participates in six jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, West Central Ohio Special Education Regional Resource Center, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 15 and 16 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

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

2. Fund Financial Statements

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

B. Fund Accounting

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2006. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty monies and student-managed activities.

C. Basis of Accounting

The School District's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the School District's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

D. Budgetary Process

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

E. Cash and Investments

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

During fiscal year 2006, investments included negotiable certificates of deposit, federal agency securities, repurchase agreements, and STAR Ohio. Negotiable certificates of deposit, repurchase agreements, and the Federal agency securities are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2006.

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 2006 was \$401,375, which included \$74,455 assigned from other School District funds.

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 modified 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 restricted to expenditure for specified purposes. As of June 30, 2006, there were no net assets restricted by enabling legislation.

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. Fund balance reserves have been established for encumbrances and bus purchases.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Interfund Activity

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

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

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 modified cash, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of 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 differences between the budget basis and the GAAP basis are as follows:

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

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

Changes in Fund Balance	
Modified Cash Basis	\$6,075,838
Increase (Decrease) Due To:	
Non budgeted Cash Activity	(722,811)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(111,152)
Budget Basis	<u>\$5,241,875</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(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 provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
7. The State Treasurer's investment pool (STAR Ohio).

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, the carrying amount of deposits was \$1,535,132 and the bank balance was \$1,797,223. Of the bank balance, \$453,407 was covered by Federal Depository Insurance and \$1,343,816 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

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

B. Investments

As of June 30, 2006, the School District had the following investments.

	<u>Carrying Value</u>	<u>Less Than 6 Months</u>	<u>6 Months To 1 Year</u>	<u>1 Year To 2 Years</u>	<u>More Than 2 Years</u>
Federal Farm Credit Bank Bonds	\$473,182	\$473,182	\$0	\$0	\$0
Federal Home Loan Bank Bonds	4,364,635	172,071	248,625	998,840	2,945,099
Federal Home Loan Bank Notes	450,000		250,000		200,000
Federal Home Loan Mortgage Corporation Notes	246,050	246,050			
Federal National Mortgage Association Notes	1,449,000			550,000	899,000
Repurchase Agreement	258,269	258,269			
Long-term Certificates of Deposit	1,869,000	297,000	389,000	985,000	198,000
STAR Ohio	125,674	125,674			
Total	<u>\$9,235,810</u>	<u>\$1,572,246</u>	<u>\$887,625</u>	<u>\$2,533,840</u>	<u>\$4,242,099</u>

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

The Federal Farm Credit Bank bonds, Federal Home Loan Bank bonds, Federal Home Loan Bank notes, Federal Home Loan Mortgage Corporation notes, and Federal National Mortgage Association notes carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The certificates of deposit are covered by Federal Depository Insurance.

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 total portfolio.

	Carrying Value	Percentage Of Portfolio
Federal Farm Credit Bank Bonds	\$473,182	5.2%
Federal Home Loan Bank Bonds	4,364,635	47.3
Federal Home Loan Bank Notes	450,000	4.8
Federal Home Loan Mortgage Corporation Notes	246,050	2.7
Federal National Mortgage Association Notes	1,449,000	15.7
Repurchase Agreements	258,269	2.8
Long-term Certificates of Deposit	1,869,000	20.2
StarOhio	125,674	1.3
Total	\$9,235,810	100.0%

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 2006 represent the collection of calendar year 2005 taxes. Real property taxes received in calendar year 2006 were levied after April 1, 2005, on the assessed values as of January 1, 2005, 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 2006 represent the collection of calendar year 2005 taxes. Public utility real and tangible personal property taxes received in calendar year 2006 became a lien on December 31, 2004, were levied after April 1, 2005, 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2006 (other than public utility property) represent the collection of calendar year 2006 taxes. Tangible personal property taxes received in calendar year 2006 were levied after April 1, 2005, on the value as of December 31, 2005. 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 2006 is 18.75 percent. This will be reduced to 12.5 percent for 2007, 6.25 percent for 2008, and 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. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2006, are available to finance fiscal year 2006 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2006 taxes were collected are:

	2005 Second- Half Collections		2006 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$207,598,680	70.97%	\$229,543,210	73.45%
Industrial/Commercial	43,627,820	14.91%	50,379,560	16.12%
Public Utility	12,164,580	4.16%	11,574,790	3.70%
Tangible Personal	29,141,962	9.96%	21,032,524	6.73%
Total Assessed Value	\$292,533,042	100.00%	\$312,530,084	100.00%
Tax rate per \$1,000 of assessed valuation	\$29.60		\$29.00	

7. INCOME TAXES

The School District levied a voted tax of 0.5 percent for general operations and 0.25 percent for permanent improvements on the income of residents and of estates. The 0.5 percent portion of the tax was effective on January 1, 1991, and the 0.25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund and the Permanent Improvement capital projects fund.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

8. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2006 were \$15,000.

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 2006, the School District contracted for the following insurance coverage:

Coverage provided by Midwestern Indemnity Company	
Building and Contents	\$54,193,452
Commercial Umbrella	5,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefits Liability	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Coverage provided by Consolidated Insurance Company	
Automobile liability	1,000,000

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.

For fiscal year 2006, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor.

The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

The CP offers features of both the DBP and DCP. In the CP, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balance from the existing DBP into the DCP or CP. This option expired on December 31, 2001.

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

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2006, 2005, and 2004 was \$1,328,405, \$1,257,849, and \$1,224,518, respectively; 83 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004. Contributions for the DCP and CP for the fiscal year ended June 30, 2006, were \$9,581 made by the School District and \$15,983 made by plan members.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

10. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

For the fiscal year ended June 30, 2006, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2006 was 14 percent of annual covered payroll; 10.58 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2006, 2005, and 2004 was \$298,061, \$284,312, and \$241,808, respectively; 46 percent has been contributed for fiscal year 2006 and 100 percent has been contributed for fiscal years 2005 and 2004.

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, 2006, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

11. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$102,922.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$3.5 billion at June 30, 2006. For the fiscal year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000, and STRS had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

For the fiscal year ended June 30, 2006, employer contributions to fund health care benefits were 3.42 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 2006, the minimum pay was established at \$35,800. For the School District, the amount to fund health care benefits, including the surcharge, was \$138,779 for fiscal year 2006.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006, were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has approximately 59,742 participants currently receiving health care benefits.

12. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

B. Employee Insurance Benefits

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

12. OTHER EMPLOYEE BENEFITS (Continued)

C. Special Termination Benefits

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

13. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2006 were as follows:

General Long-Term Obligations	Interest Rate	Balance at 6/30/05	Additions	Reductions	Balance at Due Within 6/30/06	One Year
1987 High School General Obligation Bonds	8.25%	\$2,500,000	\$0	\$625,000	\$1,875,000	\$625,000
1988 Asbestos Removal Loan	0.00	3,819	0	3,819	0	0
1990 Asbestos Removal Loan	0.00	27,052	0	10,821	16,231	10,820
Total General Long-Term Obligations		\$2,530,871	\$0	\$639,640	\$1,891,231	\$635,820

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

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

The School District's overall debt margin was \$23,336,419 with an unvoted debt margin of \$280,127 at June 30, 2006.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2006, were as follows:

Fiscal Year Ending June 30,	General Obligation Bonds			Asbestos Removal Loans
	Principal	Interest	Total	
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
	\$1,875,000	\$232,031	\$2,107,031	\$16,231

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

14. SET ASIDE REQUIREMENTS

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

The following modified cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2006.

	Textbooks	Capital Improvements
Balance June 30, 2005	\$(3,222,260)	\$ 0
Current Year Set Aside Requirement	445,473	445,473
Qualifying Expenditures	(1,006,014)	0
Qualifying Offsets	0	(445,473)
Amount Carried Forward to Fiscal Year 2007	\$(3,782,801)	\$ 0

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

15. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. 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 2006, the School District paid \$51,230 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Regional Professional Development Center

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

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

D. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio.

The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

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 BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006
(Continued)**

15. 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 Hardin County Educational Service Center, 1211 West Lima Street, Suite A, Kenton, Ohio 43326-2385.

16. INSURANCE POOL

The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool, 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.

17. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2006.

B. Litigation

There are currently no matters in litigation with the School District as a defendant.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED JUNE 30, 2006**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE (Passed through Ohio Department of Education)						
Food Distribution Program	N/A	10.550		\$90,431		\$90,431
Nutrition Cluster:						
School Breakfast Program	044982-05PU-2006	10.553	\$25,209		\$25,209	
	044982-05PU-2005		9,462		9,462	
Total School Breakfast Program			34,671		34,671	
National School Lunch Program	044982-LLP1-2006	10.555	770		770	
	044982-LLP1-2005		120		120	
	044982-LLP4-2006		235,956		235,956	
	044982-LLP4-2005		85,595		85,595	
Total National School Lunch			322,441		322,441	
Total Nutrition Cluster			357,112		357,112	
Total U.S. Department of Agriculture			357,112	90,431	357,112	90,431
U.S. DEPARTMENT OF EDUCATION (Passed through Ohio Department of Education)						
Title I, Targeted Assistance	044982-C1S1-2006	84.010	342,644		342,644	
Title II-D, Technology Literacy Challenge Grant	044982-TJS1-2006	84.318	6,234		6,234	
Title VI-B, Special Education Grants to States	044982-6BSD-2006	84.027	11,250		11,250	
	044982-6BSF-2006		676,796		676,796	
	044982-6BSF-2007		15,141			
Total Title VI-B Special Education			703,187		688,046	
Title V, Innovative Education Program Strategies	044982-C2S1-2006	84.298	8,777		8,777	
Drug Free Grant	044982-DRS1-2006	84.186	13,342		13,342	
Title IIA, Improving Teacher Quality	044982-TRS1-2006	84.367	127,568		127,568	
			699		0	
Total Title IIA, Improving Teacher Quality			128,267		127,568	
Hurricane Education Recovery Act	044982-HR01-2006	84.938	6,000		6,000	
Advance Placement Program	AVS1-2001	84.330	465		465	
Total U.S. Department of Education			1,208,916		1,193,076	
US DEPARTMENT OF EMERGENCY MANAGEMENT (Passed through the Ohio Department of Public Safety- Ohio Emergency Management Agency)						
Public Assistance Grant Program	1580-DR-011-U5JG9	97.036	13,537		13,537	
Total Federal Assistance			<u>\$1,579,565</u>	<u>\$90,431</u>	<u>\$1,563,725</u>	<u>\$90,431</u>

See accompanying notes to the schedule of federal awards expenditures.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
JUNE 30, 2006**

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 – FOOD DISTRIBUTION 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 market value of the commodities received.

NOTE C - 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 D - MATCHING REQUIREMENTS

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



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 the Wapakoneta City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2006, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 22, 2007, wherein, we noted the School District uses a comprehensive basis of accounting 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 to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the School District's management dated February 22, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed one instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2006-001. In a separate letter to the School District's management dated February 22, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

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

Mary Taylor, CPA
Auditor of State

February 22, 2007



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 programs for the year ended June 30, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Wapakoneta City School District complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2006. In a separate letter to the School District's management dated February 22, 2007, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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**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 reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 22, 2007

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Title I - Targeted Assistance CFDA #84.010 Title II-A - Improving Teacher Quality – CFDA #84.367
(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 2006-001

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.

Officials' Response:

As of September 20, 2003, the Board of Education has given the Treasurer permission to report on a cash basis, instead of GAAP (Generally Accepted Accounting Principles) basis, for an indefinite period of time until adequate funding is available. The Board has determined that at this time it cannot justify the added expense of GAAP reporting and feels those funds should be utilized toward individual student achievement.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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None

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006
OMB CIRCULAR A -133 ' .315 (b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Ohio Rev. Code Section 117.38; Ohio Admin Code Section 117-2-03 (B) Preparation of financial statements in accordance with generally accepted accounting principles.	No	Repeated as 2006-001 – Reported on OCBOA GASB 34 presentation.



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
MARCH 20, 2007**