
Wapakoneta City School District
Auglaize County, Ohio

Basic Financial Statements – Cash Basis

June 30, 2012

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

We have reviewed the *Independent Auditors' Report* of the Wapakoneta City School District, Auglaize County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wapakoneta City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 28, 2013

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INDEPENDENT AUDITORS' REPORT

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District) as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-02-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America. The accompanying financial statements and notes omit assets, liabilities, fund equities, and certain disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2012, and the respective changes in cash basis financial position thereof and the budgetary comparisons for the General Fund and Classroom Facilities Maintenance Fund for the year then ended in conformity with the accounting basis Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net cash assets, changes in net cash assets, and total and cost of program services. The schedule of expenditures of federal awards (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the Schedule were subject to the auditing procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.

A handwritten signature in cursive script that reads "Clark, Schaefer, Hachett & Co." The signature is written in black ink on a white background.

Springfield, Ohio
December 21, 2012

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The discussion and analysis of the 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, 2012. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- In total, net assets decreased \$1,954,343, due to capital outlay disbursements as the Ohio School Facilities Commission ("OSFC") project was completed, coupled with reduced operating and capital grant receipts.
- Total outstanding debt decreased \$670,000 through principal payments made during the current year, net of a new issuance of notes payable of \$790,000.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Wapakoneta City School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next 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 non-major funds presented in total in one column. For fiscal year 2012, the general fund, permanent improvement fund, building fund, and classroom facilities maintenance fund are the School District's most significant funds.

Basis of Accounting

The School District has elected to present its financial statements on the cash basis of accounting. This cash basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The cash basis of accounting involves the measurement of cash and cash equivalents and changes in cash and cash equivalents resulting from cash receipt and disbursement transactions.

Essentially, the only assets reported on this strictly cash receipt and disbursement basis presentation in a *Statement of Net Assets* will be cash and cash equivalents. The *Statement of Activities* reports cash receipts and disbursements, or in other words, the sources and uses of cash and cash equivalents. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2012?" The statement of net assets and the statement of activities answer this question.

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the statement of net assets and the statement of activities, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities and food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds include the general fund, permanent improvement fund, building fund, and the classroom facilities maintenance fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund 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.

Reporting the School District's Fiduciary Responsibilities

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the School District's own programs. The School District's fiduciary funds account for student activities and employee funds.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2012 compared to 2011.

(Table 1)
Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 6,862,639	\$ 8,816,982
<i>Total Assets</i>	<u>\$ 6,862,639</u>	<u>\$ 8,816,982</u>
Net Assets		
Restricted for:		
Permanent Improvements	2,532,000	3,434,039
Debt Service	466,386	341,673
Facilities Maintenance	811,311	838,991
Food Service Operations	390,058	257,663
Other Purposes	112,374	127,104
Unrestricted	<u>2,550,510</u>	<u>3,817,512</u>
<i>Total Net Assets</i>	<u>\$ 6,862,639</u>	<u>\$ 8,816,982</u>

Net assets of the governmental activities decreased \$1,954,343, which represents a 22 percent decrease from fiscal year 2011. The School District's OSFC project expenditures in fiscal year 2012 used resources received in a previous fiscal year.

The School District continues operating at a loss; the fiscal year 2012 loss increased over the prior fiscal year due to operating without the additional stimulus funding previously available.

A portion of the School District's net assets, \$4,312,129 or 63 percent, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide net assets, \$2,550,510 is unrestricted and may be used to meet the School District's ongoing obligations.

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Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Table 2 shows the changes in net assets for fiscal year 2012 as compared to fiscal year 2011.

(Table 2)
Changes in Net Assets – Cash Basis

	Governmental Activities	
	2012	2011
Receipts		
Program Receipts		
Charges for Services and Sales	\$ 1,579,102	\$ 1,412,599
Operating Grants, Contributions and Interest	2,103,156	4,160,735
Capital Grants, Contributions and Interest	78,595	450,963
<i>Total Program Receipts</i>	<u>3,760,853</u>	<u>6,024,297</u>
General Receipts		
Property Taxes	7,628,501	7,479,755
Income Taxes	2,765,743	2,612,288
Grants and Entitlements not Restricted to Specific Programs	13,945,216	13,556,720
Proceeds from Sale of Capital Assets	133,475	91,346
Proceeds of Notes Issued	790,000	1,210,000
Investment Earnings	104,161	93,094
Miscellaneous	87,188	62,325
<i>Total General Receipts</i>	<u>25,454,284</u>	<u>25,105,528</u>
<i>Total Receipts</i>	<u>29,215,137</u>	<u>31,129,825</u>
Program Disbursements		
Instruction:		
Regular	13,272,096	14,150,143
Special	2,690,096	2,432,624
Vocational	357,471	348,383
Student Intervention Services	0	8,153
Other	121,974	46,393
Support Services:		
Pupils	1,039,180	1,292,573
Instructional Staff	1,502,946	1,719,734
Board of Education	17,002	16,284
Administration	2,301,742	2,362,789
Fiscal	410,805	347,686
Business	4,950	5,098
Operation and Maintenance of Plant	2,383,983	2,411,650
Pupil Transportation	1,347,215	1,413,215
Central	43,888	54,081
Operation of Non-Instructional Services:		
Food Service Operations	1,146,751	1,113,505
Other	22,920	26,468
Extracurricular Activities	631,477	658,893
Capital Outlay	1,291,695	16,438,393
Debt Service:		
Principal Retirement	1,460,000	1,860,000
Interest and Fiscal Charges	1,123,289	1,138,841
<i>Total Program Disbursements</i>	<u>31,169,480</u>	<u>47,844,906</u>
<i>Change in Net Assets</i>	(1,954,343)	(16,715,081)
<i>Net Assets Beginning of Year</i>	<u>8,816,982</u>	<u>25,532,063</u>
<i>Net Assets End of Year</i>	<u>\$ 6,862,639</u>	<u>\$ 8,816,982</u>

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

During fiscal year 2012, the School District implemented measures, including not replacing outgoing staff and modifying insurance plans, to reduce instruction and support service disbursements in light of reduced funding from the state. The decrease in operating grant receipts reflects the expiration of federal stimulus programs. The decrease in capital outlay is indicative the construction projects are winding down with a small amount remaining due to contractors at year end.

The School District has reclassified certain expenditures being reported for fiscal year 2011 to more clearly represent the classifications of the fiscal year 2012 expenditures.

Governmental Activities

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

(Table 3)
Governmental Activities – Cash Basis

	Total Costs of Services		Net Costs of Services	
	2012	2011	2012	2011
<i>Program Disbursements</i>				
<i>Instruction:</i>				
Regular	\$ 13,272,096	\$ 14,150,143	\$ 12,129,270	\$ 13,167,855
Special	2,690,096	2,432,624	2,037,664	510,720
Vocational	357,471	348,383	252,047	252,781
Student Intervention Services	0	8,153	0	8,153
Other	121,974	46,393	121,974	46,393
<i>Support Services:</i>				
Pupils	1,039,180	1,292,573	1,039,180	613,996
Instructional Staff	1,502,946	1,719,734	1,498,197	1,702,488
Board of Education	17,002	16,284	17,002	16,284
Administration	2,301,742	2,362,789	2,277,247	2,349,539
Fiscal	410,805	347,686	399,095	340,310
Business	4,950	5,098	4,950	5,098
Operation and Maintenance of Plant	2,383,983	2,411,650	2,317,213	2,344,880
Pupil Transportation	1,347,215	1,413,215	1,338,626	1,404,977
Central	43,888	54,081	34,888	37,706
<i>Operation of Non-Instructional Services:</i>				
Food Service Operations	1,146,751	1,113,505	(210,000)	(112,399)
Other	22,920	26,468	13,317	26,468
Extracurricular Activities	631,477	658,893	341,568	367,436
Capital Outlay	1,291,695	16,438,393	1,213,100	15,987,430
<i>Debt Service:</i>				
Principal Retirement	1,460,000	1,860,000	1,460,000	1,611,653
Interest and Fiscal Charges	1,123,289	1,138,841	1,123,289	1,138,841
<i>Total</i>	\$ 31,169,480	\$ 47,844,906	\$ 27,408,627	\$ 41,820,609

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Grants received in fiscal year 2011 from ARRA stimulus monies used to fund special instruction, and Education Jobs grant used to fund pupil support services, were not repeated in fiscal year 2012 as both programs ended.

The dependence upon tax revenues and general revenue entitlements from the state for governmental activities is apparent. Program revenues only account for 12 percent of all governmental expenses. The community is the largest area of support for the School District students.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting.

The School District's governmental funds reported a combined fund balance of \$6,862,639, which is lower than the prior year balance of \$8,816,982.

The general fund had cash receipts and other financing sources totaling \$22,655,791. The cash disbursements of the general fund totaled \$23,927,604. The general fund's fund balance decreased \$1,271,813 in fiscal year 2012. The decrease in fund balance is comparable to fiscal year 2011 which experienced a decrease of \$1,243,131.

The permanent improvement fund had total cash receipts of \$836,006 and total cash disbursements and other financing uses of \$848,489, for a decrease in fund balance of \$12,483 in fiscal year 2012.

The building fund had total cash receipts of \$247 and total cash disbursements of \$889,803, for a decrease in fund balance of \$889,556 in fiscal year 2012. The decrease in fund balance is due to capital outlay disbursements of resources received in a previous year as part of the ongoing Ohio Schools Facility Construction project.

The classroom facilities maintenance fund had total cash receipts and other financing sources of \$274,770 and total cash disbursements of \$302,454, for a decrease in fund balance of \$27,684 in fiscal year 2012.

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2012, the School District amended its general fund budget several times. The original budget was set at a level comparable to the prior year. The School District decreased the final budgeted disbursements once the spending levels were determined after contract negotiations were finalized, decisions were made about replacing outgoing staff, and insurance plans were adjusted.

For the general fund, final budgeted receipts were \$22,891,434, representing an increase of \$459,483 from the original estimate of \$22,431,951. Actual receipts of \$22,467,820 were \$423,614 lower than the final budget. Of this decrease, most was attributable to decreased intergovernmental receipts due to budget stabilization funds expiration, as well as lower than expected tax receipts.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

For fiscal year 2012, the general fund final budgeted disbursements were \$24,261,230, which is less than the original budgeted disbursements of \$25,498,266. Actual disbursements of \$23,950,431 were \$310,799 lower than the final budget. Actual instruction, pupil and instructional staff support, administration, operation and maintenance of plant (facilities), and pupil transportation were significantly under budgeted expectations.

Debt Administration

The School District had the following long-term obligations outstanding at June 30, 2012 and 2011.

(Table 4)
Outstanding Debt, at June 30

	Governmental Activities	
	2012	2011
Notes Payable Bond Anticipation Notes - 2011	\$ 0	\$ 1,210,000
Notes Payable Bond Anticipation Notes - 2012	790,000	0
OSFC General Obligation Bonds - Serial, Term and Capital Appreciation	23,900,000	24,150,000
Total	\$ 24,690,000	\$ 25,360,000

For further information regarding the School District's debt, refer to Note 13 of the basic financial statements.

Current Issues

Wapakoneta City School District receives approximately 60% of its general fund revenue from the State. The State of Ohio changed the funding formula in biannual budget approved in June 2011. However, due to the financial status of the State of Ohio, any increase or decrease was capped.

The construction contracts for all four buildings totaled \$63,276,903 at June 30, 2012, with \$60,100 still owed to the contractors.

For fiscal year 2012, the School District did not replace four teachers and two classified employees who retired or resigned in fiscal year 2012, and modified insurance plans.

The Board is continuing to study efficiencies and programming in the School District to reduce expenditures due to funding cuts by the Ohio legislature.

The School District settled labor negotiations with both certified and classified employees; those contracts had expired on June 30, 2011.

With House Bill 920, current levies do not provide inflationary revenue growth as valuation increases, with the exception of inside millage and new construction. Thus, as a School District dependent upon property tax and a decline in the State Foundation and with changes in the Ohio tax structure, the School District will need to request property tax increases to maintain a constant level of service.

The School District's systems of budgeting and internal controls are well regarded. All of the School District's financial abilities will be needed to meet the challenges of the future.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2012
Unaudited

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Rinehart, Treasurer of Wapakoneta City School District, 1102 Gardenia Drive, Wapakoneta, Ohio 45895.

Wapakoneta City School District
Statement of Net Assets - Cash Basis
June 30, 2012

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 6,862,639
<i>Total Assets</i>	\$ 6,862,639
Net Assets	
Restricted for:	
Permanent Improvements	\$ 2,532,000
Debt Service	466,386
Facilities Maintenance	811,311
Food Service Operations	390,058
Other Purposes	112,374
Unrestricted	2,550,510
<i>Total Net Assets</i>	\$ 6,862,639

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2012

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Receipts and Changes in Net Assets
Governmental Activities					
Instruction:					
Regular	\$ 13,272,096	\$ 625,515	\$ 517,311	\$ 0	\$ (12,129,270)
Special	2,690,096	56,827	595,605	0	(2,037,664)
Vocational	357,471	0	105,424	0	(252,047)
Other	121,974	0	0	0	(121,974)
Support Services:					
Pupils	1,039,180	0	0	0	(1,039,180)
Instructional Staff	1,502,946	0	4,749	0	(1,498,197)
Board of Education	17,002	0	0	0	(17,002)
Administration	2,301,742	6,281	18,214	0	(2,277,247)
Fiscal	410,805	11,710	0	0	(399,095)
Business	4,950	0	0	0	(4,950)
Operation and Maintenance of Plant	2,383,983	0	66,770	0	(2,317,213)
Pupil Transportation	1,347,215	8,589	0	0	(1,338,626)
Central	43,888	0	9,000	0	(34,888)
Operation of Non-Instructional Services:					
Food Service Operations	1,146,751	601,975	754,776	0	210,000
Other	22,920	8,603	1,000	0	(13,317)
Extracurricular Activities	631,477	259,602	30,307	0	(341,568)
Capital Outlay	1,291,695	0	0	78,595	(1,213,100)
Debt Service:					
Principal Retirement	1,460,000	0	0	0	(1,460,000)
Interest and Fiscal Charges	1,123,289	0	0	0	(1,123,289)
Totals	<u>\$ 31,169,480</u>	<u>\$ 1,579,102</u>	<u>\$ 2,103,156</u>	<u>\$ 78,595</u>	<u>(27,408,627)</u>

General Receipts

Property Taxes Levied for:	
General Purposes	5,922,871
Debt Service	1,705,630
Income Taxes Levied for:	
General Purposes	1,853,048
Permanent Improvement	912,695
Grants and Entitlements not Restricted to Specific Programs	13,945,216
Proceeds from Sale of Capital Assets	133,475
Proceeds of Notes Issued	790,000
Investment Earnings	104,161
Miscellaneous	87,188
Total General Receipts	<u>25,454,284</u>
Change in Net Assets	(1,954,343)
Net Assets Beginning of Year	<u>8,816,982</u>
Net Assets End of Year	<u>\$ 6,862,639</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Statement of Assets and Fund Balances - Cash Basis
Governmental Funds
June 30, 2012

	General Fund	Permanent Improvement Fund	Building Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 2,575,514	\$ 1,412,945	\$ 1,119,055	\$ 811,311	\$ 943,069	\$ 6,861,894
Restricted Cash and Cash Equivalents	745	0	0	0	0	745
<i>Total Assets</i>	<u>\$ 2,576,259</u>	<u>\$ 1,412,945</u>	<u>\$ 1,119,055</u>	<u>\$ 811,311</u>	<u>\$ 943,069</u>	<u>\$ 6,862,639</u>
Fund Balances						
Nonspendable	\$ 745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 745
Restricted	0	1,412,945	1,119,055	811,311	968,073	4,311,384
Assigned	1,430,883	0	0	0	0	1,430,883
Unassigned	1,144,631	0	0	0	(25,004)	1,119,627
<i>Total Fund Balances</i>	<u>\$ 2,576,259</u>	<u>\$ 1,412,945</u>	<u>\$ 1,119,055</u>	<u>\$ 811,311</u>	<u>\$ 943,069</u>	<u>\$ 6,862,639</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Statement of Receipts, Disbursements and Changes
in Fund Balances - Cash Basis - Governmental Funds
For the Fiscal Year Ended June 30, 2012

	General Fund	Permanent Improvement Fund	Building Fund	Classroom Facilities Maintenance Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 5,922,871	\$ 0	\$ 0	\$ 0	\$ 1,705,630	\$ 7,628,501
Income Taxes	1,853,048	754,271	0	158,424	0	2,765,743
Intergovernmental	13,840,938	0	0	66,770	2,110,019	16,017,727
Investment Income	104,161	383	247	0	338	105,129
Tuition and Fees	690,932	0	0	0	0	690,932
Extracurricular Activities	6,281	0	0	0	259,602	265,883
Gifts and Donations	14,275	77,964	0	0	11,396	103,635
Charges for Services	8,603	0	0	0	601,975	610,578
Rent	8,322	3,388	0	0	0	11,710
Miscellaneous	72,885	0	0	0	18,939	91,824
<i>Total Receipts</i>	<u>22,522,316</u>	<u>836,006</u>	<u>247</u>	<u>225,194</u>	<u>4,707,899</u>	<u>28,291,662</u>
Disbursements						
Current:						
Instruction:						
Regular	12,615,602	202,960	0	0	453,534	13,272,096
Special	2,135,568	0	0	0	554,528	2,690,096
Vocational	357,471	0	0	0	0	357,471
Other	121,974	0	0	0	0	121,974
Support Services:						
Pupils	1,025,172	12,108	0	0	1,900	1,039,180
Instructional Staff	1,376,356	68,102	0	0	58,488	1,502,946
Board of Education	17,002	0	0	0	0	17,002
Administration	2,216,861	0	0	0	84,881	2,301,742
Fiscal	356,663	14,637	0	0	39,505	410,805
Business	4,950	0	0	0	0	4,950
Operation and Maintenance of Plant	2,016,193	21,568	0	302,454	43,768	2,383,983
Pupil Transportation	1,270,615	76,600	0	0	0	1,347,215
Central	34,888	0	0	0	9,000	43,888
Extracurricular Activities	358,380	0	0	0	273,097	631,477
Operation of Non-Instructional Services:						
Food Service Operations	0	0	0	0	1,146,751	1,146,751
Other	19,909	1,046	0	0	1,965	22,920
Capital Outlay	0	401,892	889,803	0	0	1,291,695
Debt Service:						
Principal Retirement	0	0	0	0	1,460,000	1,460,000
Interest and Fiscal Charges	0	0	0	0	1,123,289	1,123,289
<i>Total Disbursements</i>	<u>23,927,604</u>	<u>798,913</u>	<u>889,803</u>	<u>302,454</u>	<u>5,250,706</u>	<u>31,169,480</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,405,288)</u>	<u>37,093</u>	<u>(889,556)</u>	<u>(77,260)</u>	<u>(542,807)</u>	<u>(2,877,818)</u>
Other Financing Sources (Uses)						
Proceeds from Sale of Capital Assets	133,475	0	0	0	0	133,475
Proceeds of Notes Issued	0	0	0	0	790,000	790,000
Transfers In	0	0	0	49,576	0	49,576
Transfers Out	0	(49,576)	0	0	0	(49,576)
<i>Total Other Financing Sources (Uses)</i>	<u>133,475</u>	<u>(49,576)</u>	<u>0</u>	<u>49,576</u>	<u>790,000</u>	<u>923,475</u>
<i>Net Change in Fund Balances</i>	<u>(1,271,813)</u>	<u>(12,483)</u>	<u>(889,556)</u>	<u>(27,684)</u>	<u>247,193</u>	<u>(1,954,343)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,848,072</u>	<u>1,425,428</u>	<u>2,008,611</u>	<u>838,995</u>	<u>695,876</u>	<u>8,816,982</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,576,259</u>	<u>\$ 1,412,945</u>	<u>\$ 1,119,055</u>	<u>\$ 811,311</u>	<u>\$ 943,069</u>	<u>\$ 6,862,639</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 5,913,415	\$ 6,034,542	\$ 5,922,871	\$ (111,671)
Income Taxes	1,850,090	1,887,986	1,853,048	(34,938)
Intergovernmental	13,818,841	14,101,899	13,840,938	(260,961)
Investment Income	103,995	106,125	104,161	(1,964)
Tuition and Fees	689,829	703,959	690,932	(13,027)
Gifts and Donations	8,891	9,073	8,905	(168)
Charges for Services	8,589	8,765	8,603	(162)
Rent	8,309	8,479	8,322	(157)
Miscellaneous	29,992	30,606	30,040	(566)
<i>Total Receipts</i>	<u>22,431,951</u>	<u>22,891,434</u>	<u>22,467,820</u>	<u>(423,614)</u>
Disbursements				
Current:				
Instruction:				
Regular	13,435,423	12,783,611	12,619,846	163,765
Special	2,276,891	2,166,429	2,138,676	27,753
Vocational	380,573	362,110	357,471	4,639
Other	130,875	124,525	122,930	1,595
Support Services:				
Pupils	1,091,585	1,038,627	1,025,322	13,305
Instructional Staff	1,486,730	1,414,602	1,396,480	18,122
Board of Education	18,101	17,223	17,002	221
Administration	2,340,905	2,227,337	2,198,804	28,533
Fiscal	379,713	361,291	356,663	4,628
Business	5,270	5,014	4,950	64
Operation and Maintenance of Plant	2,159,057	2,054,312	2,027,995	26,317
Pupil Transportation	1,353,263	1,287,610	1,271,115	16,495
Central	37,143	35,341	34,888	453
Extracurricular Activities	381,541	363,031	358,380	4,651
Operation of Non-Instructional Services:				
Community Services	21,196	20,167	19,909	258
<i>Total Disbursements</i>	<u>25,498,266</u>	<u>24,261,230</u>	<u>23,950,431</u>	<u>310,799</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,066,315)</u>	<u>(1,369,796)</u>	<u>(1,482,611)</u>	<u>(112,815)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	133,262	135,992	133,475	(2,517)
Refund of Prior Year Disbursements	43,788	44,685	43,858	(827)
Refund of Prior Year Receipts	(1,735)	(1,651)	(1,630)	21
<i>Total Other Financing Sources (Uses)</i>	<u>175,315</u>	<u>179,026</u>	<u>175,703</u>	<u>(3,323)</u>
<i>Net Change in Fund Balance</i>	(2,891,000)	(1,190,770)	(1,306,908)	(116,138)
<i>Fund Balance Beginning of Year, Restated (Note 3)</i>	3,809,452	3,809,452	3,809,452	0
Prior Year Encumbrances Appropriated	8,031	8,031	8,031	0
<i>Fund Balance End of Year</i>	<u>\$ 926,483</u>	<u>\$ 2,626,713</u>	<u>\$ 2,510,575</u>	<u>\$ (116,138)</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual (Budget Basis)
 Classroom Facilities Maintenance Fund
 For the Fiscal Year Ended June 30, 2012*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Income Taxes	\$ 119,605	\$ 208,000	\$ 208,000	\$ 0
Intergovernmental	38,395	66,770	66,770	0
<i>Total Receipts</i>	<u>158,000</u>	<u>274,770</u>	<u>274,770</u>	<u>0</u>
Disbursements				
Current:				
Support Services:				
Operation and Maintenance of Plant	609,006	560,825	512,851	47,974
<i>Total Disbursements</i>	<u>609,006</u>	<u>560,825</u>	<u>512,851</u>	<u>47,974</u>
<i>Net Change in Fund Balance</i>	(451,006)	(286,055)	(238,081)	47,974
<i>Fund Balance Beginning of Year</i>	829,989	829,989	829,989	0
Prior Year Encumbrances Appropriated	9,006	9,006	9,006	0
<i>Fund Balance End of Year</i>	<u>\$ 387,989</u>	<u>\$ 552,940</u>	<u>\$ 600,914</u>	<u>\$ 47,974</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2012

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 124,046
<i>Total Assets</i>	<u>\$ 124,046</u>
Net Assets	
Held in Trust for Students	\$ 115,050
Undistributed Monies	8,996
<i>Total Net Assets</i>	<u>\$ 124,046</u>

See accompanying notes to the basic financial statements.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wapakoneta City School District (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, located in Auglaize County, provides educational services as authorized by state and federal guidelines.

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

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation – Fund Accounting

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental activities (primarily supported by taxes and intergovernmental receipts) and those that are considered business-type activities (primarily supported by fees and charges). However, the School District has no business-type activities.

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

FUND FINANCIAL STATEMENTS

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

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Fund financial statements of the School District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its receipts and disbursements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the School District or meets the following criteria:

- a. Total assets, receipts, or disbursements of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, receipts, or disbursements of the individual governmental fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

The School District classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other non-exchange transactions as governmental funds. The School District's major funds are the General, Permanent Improvement, Building, and Classroom Facilities Maintenance funds.

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

Permanent Improvement Fund - The Permanent Improvement capital projects fund is used to account for the acquisition, construction, or improvement of capital facilities.

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

Classroom Facilities Maintenance Fund - The Classroom Facilities Maintenance special revenue fund is used to account for the on-going maintenance needs of capital facilities.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

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 2012. 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.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Basis of Accounting

Although required by Ohio Administrative Code Sections 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP), the School District chooses to prepare its financial statements and notes in accordance with the cash accounting basis. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

As a result of the use of this 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 these financial statements.

Budgetary presentations report budgetary disbursements when a commitment is made (i.e. when an encumbrance is approved). Differences between disbursements reported in the fund and government-wide statements versus budgetary disbursements are due to encumbrances outstanding at the beginning and end of the fiscal year.

These statements include required disclosures of material matters, in accordance with the cash basis of accounting.

C. Budgetary Process

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

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

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

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

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources, which states the projected receipt of each fund. Prior to June 30, the School District must revise its budget so that total contemplated disbursements from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding fiscal year. The certificate may be further amended during the fiscal year if projected increases or decreases in receipt are identified by the School District Treasurer.

Appropriations

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying a new certificate is not necessary, the annual Appropriation Resolution Report must be legally enacted by the Board of Education at the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of disbursements and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the fiscal year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. 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.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the disbursement of monies are recorded as the equivalent of disbursements on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Disbursements plus encumbrances may not legally exceed appropriations. Encumbrances outstanding at fiscal year-end are reported as restricted or assigned fund balance for subsequent-year disbursements for governmental funds.

Lapsing of Appropriations

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

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

D. 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”.

For purposes of financial reporting, investments of the 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.

During fiscal year 2012, investments included negotiable certificates of deposit, federal agency securities, and STAROhio. All investments, with the exception of STAROhio, are reported at cost. STAROhio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio’s share price, which is the price the investment could be sold for on June 30, 2012.

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 2012 was \$104,161, which included \$65,059 assigned from other School District funds.

E. 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 imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund consist of unclaimed monies.

F. Inventory and Prepaid Items

The School District reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

Acquisitions of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements. Depreciation is not recorded on these capital assets.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

H. Compensated Absences

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

I. Debt Obligations

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

J. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Federal and State reimbursement type grants are recorded as receipts when the grants are received.

K. Interfund Transactions

During the course of normal operations, the School District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers. Transfers among governmental funds are eliminated on the government-wide statements.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing 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.

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

Equity is classified as net assets, and displayed in separate components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes primarily include resources for student activities. As of June 30, 2012, the School District did not have any net assets restricted by enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance. Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds. The classifications are as follows:

- a. **Nonspendable** - The nonspendable classification includes amounts that cannot be spent because they are not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" includes items that are not expected to be converted to cash.
- b. **Restricted** - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions.
- c. **Committed** - The committed classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Education. The committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- d. **Assigned** - Amounts in the assigned classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Education. The Board of Education has by resolution authorized the treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.
- e. **Unassigned** - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District first applies restricted resources when an expenditure is incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

N. Receipts and Disbursements

Program Receipts

In the Statement of Activities, receipts that are derived directly from each activity or from parties outside the School District’s taxpayers are reported as program receipts. The School District has the following program receipts: charges for service, operating and capital grants, contributions and interest.

All other governmental receipts are reported as general. All taxes are classified as a general receipt even if restricted for a specific purpose.

NOTE 3 - RESTATEMENT OF FUND BALANCE

The beginning of year fund balance on the *Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balance – Budget and Actual (Budget Basis) – General Fund* is being restated to include activity of an off the books account that was not accounted for on a budgetary basis. The restatement is summarized below:

Fund Balance at June 30, 2011	\$ 3,400,333
Unrecorded receipts - budget basis	<u>409,119</u>
Restated Fund Balance at June 30, 2011	<u><u>\$ 3,809,452</u></u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2012, the School District had a deficit balance of \$25,004 in the ARRA Title I fund. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed. The current deficit fund balance was created as a result of late disbursements from the grant authorities.

B. Compliance

Ohio Administrative Code, Section 117-2-03(B), requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2012, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, net assets/fund balances, 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.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

The Statement of Receipts, Disbursements and Changes in Fund Balances – Cash Basis – Governmental Funds, presented for the General Fund and the Classroom Facilities Maintenance 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 cash basis are that:

- (a) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of a disbursement; and,
- (b) Some funds are included in the General Fund (cash basis), but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the cash basis to the budget basis for each fund is as follows:

Net Change in Fund Balance		
	<u>General Fund</u>	<u>Classroom Facilities Maintenance Fund</u>
Cash Basis	\$ (1,271,813)	\$ (27,684)
Funds Budgeted Elsewhere**	5,788	0
Adjustments for Encumbrances	<u>(40,883)</u>	<u>(210,397)</u>
Budget Basis	<u>\$ (1,306,908)</u>	<u>\$ (238,081)</u>

** As part of Governmental Accounting Standards Board Statement No. 54 “Fund Balance Reporting”, certain funds that are legally budgeted in separate special revenue funds are considered part of the General Fund on a cash basis. This includes public school support funds, and the unclaimed monies fund.

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits determined to be necessary to meet current demands upon the School District treasury. Such 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.

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

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 that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio 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) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio); and
8. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time.

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. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), the Securities Investor Protection Corporation (SIPC), as well as qualified securities pledged by the institution holding the assets. As of June 30, 2012, the carrying value of the School District's deposits was \$3,568,201. At fiscal year-end, \$743,648 of the School District's bank balance of \$3,916,423 was exposed to custodial credit risk because it was uninsured. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments

As of June 30, 2012, the School District had the following investments.

	Cost as of 06/30/2012	% of Total Investments	Maturities	
			< 1 Year	4 - 5 Years
Federal Home Loan Bank	\$ 350,000	10.24%	\$ 0	\$ 350,000
Federal Farm Credit Bank	250,000	7.31%	250,000	0
STAROhio	2,818,484	82.45%	2,818,484	0
	<u>\$ 3,418,484</u>	<u>100.00%</u>	<u>\$ 3,068,484</u>	<u>\$ 350,000</u>

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchases of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee." However, all of the School District's investments are either insured and registered in the name of the School District, or at least registered in the name of the school district.

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

Credit Risk – The Federal Home Loan Bank Bonds carry a rating of AA+ by Standard and Poor's and Federal Farm Credit Bank Bonds carry a rating of Aaa by Moody's. The School District has no policy regarding credit risk beyond the requirements of State statute.

STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2012, is 53 days and carries a rating of AAAm by Standard and Poor's.

Concentration of Credit Risk – The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. As shown in the table above, more than 5 percent of the School District's investments are in Federal Home Loan Bank, STAROhio, and Federal Farm Credit Bank.

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2012 represents collections of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed value listed as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid 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 revenue received in calendar 2012 represents collections of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien December 31, 2010, were levied after April 1, 2011 and are collected in 2012 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2012, are available to finance fiscal year 2012 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which the fiscal year 2012 taxes were collected are:

	2011 Second Half Collections		2012 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 265,853,750	80.94%	\$ 271,874,300	80.84%
Industrial/Commercial	55,917,590	17.03%	57,539,660	17.11%
Public Utility	6,662,220	2.03%	6,883,470	2.05%
Total Assessed Value	\$ 328,433,560	100.00%	\$ 336,297,430	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.30		\$31.30	

NOTE 8 - INCOME TAXES

The School District levies a voted tax of .5 percent for general operations and .25 percent for permanent improvements on the income of residents and of estates. The .5 percent portion of the tax was effective on January 1, 1991, and the .25 percent portion of the tax was effective on January 1, 1996. The entire voted tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are recorded in the General Fund, the Permanent Improvement capital projects fund, and the Classroom Facilities Maintenance fund.

NOTE 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 2012, the School District contracted for the following insurance coverage:

Ohio School Plan	
Boiler and Machinery	\$ 109,065,290
General Liability	
Per Occurrence	5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000

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

For fiscal year 2012, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

For fiscal year 2012, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the Plan.

NOTE 10 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$364,901, \$352,412 and \$368,094, respectively; 41 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan 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 DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$1,491,738, \$1,560,530, and \$1,257,712, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for the fiscal years 2011 and 2010. Contributions to the DC and Combined Plans for fiscal year 2012 were \$29,580 made by the School District and \$21,128 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2012, three members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 11 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2012, .55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011, and 2010 were \$60,953, \$42,671, and \$13,249, respectively; 41 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

WAPAKONETA CITY SCHOOL DISTRICT

Notes to the Basic Financial Statements For the Fiscal Year Ended June 30, 2012

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$21,549, \$22,679, and \$21,890, respectively; 41 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2012, 2011, and 2010 were \$114,749, \$120,041, and \$99,806, respectively; 84 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees and up to a maximum of two hundred thirty days for classified employees. Upon retirement, for certified employees, payment is made for 22 percent of accrued but unused sick leave, and for classified employees, payment is made for 25 percent of their accrued but unused sick leave, up to a maximum of fifty-seven and one-half days.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Employee Insurance Benefits

The School District offers health and dental insurance to most employees through Anthem Blue Cross/Blue Shield. Life insurance is offered through Anthem Life Insurance. Vision insurance is offered through Vision Service Plan. The employees share the cost of the monthly premium with the Board. The premium varies with each employee depending on marital and family status.

C. Separation Benefits

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

NOTE 13 – DEBT OBLIGATIONS

The changes in the School District’s debt obligations during fiscal year 2012 were as follows:

	Interest Rate	Balance at 06/30/11	Additions	Reductions	Balance at 06/30/12	Due Within One Year
General Debt Obligations:						
Notes Payable - 2011	2%	\$ 1,210,000	\$ 0	\$ 1,210,000	\$ 0	\$ 0
Notes Payable - 2012	1.50%	0	790,000	0	790,000	790,000
OSFC General Obligation Bonds:						
Serial Bonds	3 - 5%	12,105,000	0	250,000	11,855,000	310,000
Term Bonds	4.35 - 4.75%	11,800,000	0	0	11,800,000	0
Capital Appreciation Bonds	21.475 - 22.04%	245,000	0	0	245,000	0
Total General Debt Obligations		\$ 25,360,000	\$ 790,000	\$ 1,460,000	\$ 24,690,000	\$ 1,100,000

Notes Payable Bond Anticipation Notes - On May 9, 2011, the School District issued \$1,210,000 in bond anticipation notes to partially retire notes previously issued for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes had an interest rate of 2 percent and matured on May 8, 2012. The notes were paid from the Bond Retirement debt service fund.

On May 8, 2012, the School District issued \$790,000 in bond anticipation notes to partially retire notes previously issued for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes have an interest rate of 1.5 percent and will mature on May 1, 2013. The notes will be paid from the Bond Retirement debt service fund.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

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

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

The term bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, in part by lot, pursuant to the terms of the mandatory sinking fund redemption requirements of the School District. The mandatory redemption is to occur on December 1, 2020, in the amount of \$920,000, (with the balance of \$955,000 to be paid at stated maturity on December 1, 2021), at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

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

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

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

Principal and interest requirements to retire debt obligations as of June 30, 2012, were as follows:

Fiscal Year Ending June 30	Notes Payable		Serial and Term Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 790,000	\$ 11,850	\$ 310,000	\$ 1,090,756	\$ 0	\$ 0	\$ 1,100,000	\$ 1,102,606
2014	0	0	335,000	1,080,662	0	0	335,000	1,080,662
2015	0	0	365,000	1,069,287	0	0	365,000	1,069,287
2016	0	0	435,000	1,055,744	0	0	435,000	1,055,744
2017	0	0	0	1,048,131	80,000	390,000	80,000	1,438,131
2018-2022	0	0	2,755,000	5,065,228	165,000	1,205,000	2,920,000	6,270,228
2023-2027	0	0	5,490,000	4,020,182	0	0	5,490,000	4,020,182
2028-2032	0	0	6,985,000	2,530,784	0	0	6,985,000	2,530,784
2033-2036	0	0	6,980,000	682,100	0	0	6,980,000	682,100
Total	\$ 790,000	\$ 11,850	\$ 23,655,000	\$ 17,642,874	\$ 245,000	\$ 1,595,000	\$ 24,690,000	\$ 19,249,724

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

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 14 – FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>Building Fund</u>	<u>Classroom Facilities Maintenance Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:						
Unclaimed Funds	\$ 745	\$ 0	\$ 0	\$ 0	\$ 0	\$ 745
Total Unspendable	<u>745</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>745</u>
Restricted for:						
Permanent Improvement	0	1,412,945	1,119,055	811,311	0	3,343,311
Debt Service	0	0	0	0	466,386	466,386
Support Services	0	0	0	0	915	915
Student Activities	0	0	0	0	110,506	110,506
Instruction	0	0	0	0	208	208
Food Service	0	0	0	0	390,058	390,058
Total Restricted	<u>0</u>	<u>1,412,945</u>	<u>1,119,055</u>	<u>811,311</u>	<u>968,073</u>	<u>4,311,384</u>
Assigned for:						
Instruction	8,307	0	0	0	0	8,307
Support Services	32,576	0	0	0	0	32,576
Subsequent Year Appropriations	1,390,000	0	0	0	0	1,390,000
Total Assigned	<u>1,430,883</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,430,883</u>
Unassigned	<u>1,144,631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(25,004)</u>	<u>1,119,627</u>
Total Fund Balance	<u><u>\$ 2,576,259</u></u>	<u><u>\$ 1,412,945</u></u>	<u><u>\$ 1,119,055</u></u>	<u><u>\$ 811,311</u></u>	<u><u>\$ 943,069</u></u>	<u><u>\$ 6,862,639</u></u>

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WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 15 – STATUTORY RESERVES

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 acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year-end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for capital improvements during fiscal year 2012:

	Capital Maintenance Reserve
Set Aside Restricted Balance June 30, 2011	\$ 0
Current Year Set Aside Requirement	519,133
Current Year Qualifying Disbursements	(102,895)
Current Year Offsets	(66,770)
Prior Year Offsets Used in Current Year	(349,468)
Total	<u>\$ 0</u>
Balance Carried Forward to Fiscal Year 2013	<u>\$ 0</u>
Set Aside Restricted Balance June 30, 2012	<u><u>\$ 0</u></u>

The School District had qualifying disbursements during the fiscal year that reduced the set aside amounts below zero. For capital acquisitions, the extra amount, which was a result of capital expenditures from bond or note proceeds, was used to reduce the set aside requirements of future years. The amount of offset available resulting from bond or note proceeds had not been recognized in the prior year. However, the offset is an allowable expenditure and has been included in the current year.

NOTE 16 - INTERFUND TRANSFERS

During fiscal year 2012, the Permanent Improvement capital projects fund made transfers to the Classroom Facilities Maintenance fund, in the amount of \$49,576, to fund OSFC maintenance requirements.

NOTE 17 - 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 2012 the School District paid \$44,939 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.

WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

B. Apollo Joint Vocational School

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

C. Northwestern Ohio Educational Research Council, Inc.

The Northwestern Ohio Educational Research Council, Inc. (NOERC) is a jointly governed organization formed to bring educational entities into a better understanding of their common educational problems, facilitate and conduct practical educational research, coordinate educational research among members, provide a means for evaluating and disseminating the results of research, serve as a repository for research and legislative materials, and provide opportunities for training. The NOERC serves a twenty-five county area in Northwest Ohio. The Board of Directors consists of superintendents from two educational service centers, two exempted village school districts, five local school districts, and five city school districts, as well as representatives from two private or parochial schools and three institutions of higher education. Each active member is entitled to one vote on all issues addressed by the Board of Directors. Financial information can be obtained from the Northwestern Ohio Educational Research Council, Inc., Box 456, Ashland, Ohio 44805.

D. Southwestern Ohio Educational Purchasing Cooperative

The Southwestern Ohio Educational Purchasing Cooperative (SOEPC) was established in 1986 among educational entities located in southwestern Ohio to purchase instructional and operational supplies and materials. The SOEPC is organized under Ohio law as a regional council of governments pursuant to a written agreement entered into by its member educational entities and bylaws adopted by the representatives of the member educational entities. The SOEPC is governed by an elected Board consisting of ten representatives of the educational entities and the superintendent from the Montgomery County Educational Service Center. The Board, except for the superintendent from the Montgomery County Educational Service Center, is elected from an Assembly consisting of a representative from each participating educational entity. Financial information can be obtained from the Southwestern Ohio Educational Purchasing Cooperative, 303 Corporate Center Dr., Suite 208, Vandalia, OH 45377.

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WAPAKONETA CITY SCHOOL DISTRICT

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2012*

NOTE 18 - INSURANCE POOLS

A. Ohio School Plan

The School District participates in the Ohio School Plan (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The Plan's business and affairs are conducted by a fifteen member board consisting of superintendents, treasurers, the president of Harcum-Shuett Insurance Agency, Inc., and a member of the Hylant Group, Inc. The Hylant Group, Inc. is the Plan's administrator and is responsible for processing claims. Harcum-Shuett Insurance Agency serves as the sales and marketing representative which establishes agreements between the Plan and its members. Financial information can be obtained from Harcum-Shuett Insurance Agency, 246 East Sycamore Street, Columbus, Ohio 43206.

B. Ohio School Boards Association Workers' Compensation Group Rating Plan

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.

NOTE 19 – CONTINGENCIES

A. Review of Statewide Attendance Data

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

B. 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. This also encompasses the Auditor of State's ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

C. Litigation

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

Wapakoneta City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Agriculture: <i>Passed through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 155,104	\$ 155,104
Cash Assistance:			
National School Breakfast Program	10.553	106,261	106,261
National School Lunch Program	10.555	630,576	629,144
Summer Food Service Program	10.559	<u>3,780</u>	<u>3,780</u>
Total Nutrition Cluster		<u>895,721</u>	<u>894,289</u>
Farm to School Grant Program	10.575	<u>1,000</u>	<u>85</u>
Total US Department of Agriculture		<u>896,721</u>	<u>894,374</u>
U.S. Department of Education: <i>Passed through Ohio Department of Education:</i>			
Title I Grants to Local Education Agencies	84.010	362,188	387,192
Special Education Grants to States	84.027	595,605	595,605
Education Technology State Grants	84.318	2,749	2,749
Improving Teacher Quality State Grants	84.367	111,947	111,947
Education Jobs Fund	84.410	<u>18,214</u>	<u>18,214</u>
Total U.S. Department of Education		<u>1,090,703</u>	<u>1,115,707</u>
Total Federal Assistance		<u>\$ 1,987,424</u>	<u>\$ 2,010,081</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

1. Significant Accounting Policies:

The accompanying schedule of expenditures of federal awards is a summary of the federal awards programs of the Wapakoneta City School District. This schedule has been prepared on the cash basis of accounting.

2. U.S. Department of Agriculture Programs:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2012 the District had no significant food commodities in inventory.

3. Matching Requirements:

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

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

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 (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 21, 2012, in which it was noted the District prepared its financial statements on a cash accounting basis, which is a basis other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we are required to report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2012-001.

We also noted certain other matters that we reported to management of the District, in a separate letter dated December 21, 2012.

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

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

A handwritten signature in cursive script that reads "Clark, Schaefer, Hackett & Co." The signature is written in black ink and is positioned above the typed name and date.

Springfield, Ohio
December 21, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education
Wapakoneta City School District
1102 Gardenia Drive
Wapakoneta, Ohio 45895

Compliance

We have audited the compliance of the Wapakoneta City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Clark, Schufer, Hackett & Co.

Springfield, Ohio
December 21, 2012

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Noncompliance material to financial statements noted?	 Yes

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
 Type of auditors’ report issued on compliance for major programs:	 Unqualified
 Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	 None noted
 Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – National School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
CFDA 10.559 – Summer Food Service Program	
 CFDA 84.027 – Special Education Grants to States	
 Dollar threshold to distinguish between Type A and Type B programs:	 \$300,000
 Auditee qualified as low-risk auditee?	 No

Section II – Financial Statement Findings

2012-001: Reporting Annual Financial Statements

Condition: The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Criteria: Ohio Administrative Code Section 117-2-3(B) requires the District to prepare its annual financial report in accordance with GAAP.

Effect: Pursuant to Ohio Rev. Code Section 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report in accordance with GAAP.

Cause: Due to current economic issues, the District elected to prepare and submit its annual financial report on the cash basis of accounting as a means to realize savings in accounting and auditing fees on an annual basis. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Recommendation: We recommend the District further consider reporting its annual financial report in accordance with GAAP.

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

1. *Lack of Adequate Funding/Financing – Board Resolution number 118-03, September 2003, gave the fiscal officer permission to stop converting the cash basis financial statements to GAAP until adequate funding is available to Wapakoneta City Schools. The Board of Education determined it could not justify the added expense of converting to GAAP reporting and the additional audit costs. The Board of Education chooses to direct those funds towards individual student achievements.*
2. *Individual Student Achievement is Wapakoneta City Schools' Priority – The Board of Education authorized the Superintendent to enter into an agreement with Auglaize County Educational Service Center to add two and one half kindergarten aides with the funds that the Board saved from discontinuing GAAP reporting. Wapakoneta City Schools is continuing to have part time aides in the kindergarten classrooms to support individual student achievements.*
3. *Five Year Forecast/Management Analysis Tools – Wapakoneta City Schools has been preparing a five year forecast since 1993. The Administrative Team had an architectural study prepared in 1993 to determine student capacities, structural soundness, and operational efficiencies of each building owned by Wapakoneta City Schools. Also, the fiscal officer prepares and utilizes the expenditure flow model analysis for the purpose of long range planning by the board, finance and facilities committees. The GAAP report was not utilized in any capacity as a tool for management.*
4. *Complete reappraisal of all Property – Every five years the Board of Education authorizes a complete reappraisal and tagging of all Board owned property by an outside professional appraisal firm as further documentation of assets.*
5. *OCBOA – Wapakoneta City Schools prepares an Other Comprehensive Basis of Accounting (OCBOA) report which incorporates the reporting format required by Government Accounting Standards Board Statement No. 34. An OCBOA report is accepted by the American Institute of Certified Public Accountants.*

Section III – Federal Awards Findings and Questioned Costs

None noted

Finding 2011-001: Report Annual Financial Statements

The District elected not to report on the GAAP basis of accounting as required under the Ohio Administrative Code Section 117-2-3(B).

Status: Uncorrected – See current audit finding 2012-001.

**Finding 2011-002: Special Education Cluster– ARRA – CFDA No. 84.027 and 84.391
State Fiscal Stabilization – ARRA – CFDA 84.394**

The audit found the District did not comply with reporting to ODE for vendors that received single payments greater than \$25,000 on the 1512 ARRA Subrecipient Vendor Report. The District only reported the activity during each quarterly reporting period and did not report on a cumulative basis as required.

Status: No Longer Applicable – Compliance no longer tested at local agencies.

Finding 2011-003: State Fiscal Stabilization – ARRA – CFDA No. 84.394

The District did not spend federal grant funds in a timely manner.

Status: No Longer Applicable – The District received no funding under this program during fiscal 2012 and spent the remaining SFSF prior to being informed about the cash management compliance issues in the prior audit. The program was completely closed out by the District in the first part of the current fiscal year.

Finding 2011-004: Special Education Cluster – ARRA – CFDA No. 84.027 and 84.391

District allocated expenditures to the special education cluster in excess of actual salary expenditures that incurred at fiscal year end.

Status: Corrected – no such issued noted during current year.



At Clark Schaefer Hackett, we are the sum of our individuals. Each team member's training, experience and drive is well-suited to each client's needs and goals. We are committed to providing insightful and flexible service – from efficient compliance to sophisticated consulting – to help each client prosper today and plan for future success

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Dave Yost • 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
FEBRUARY 7, 2013