



**Auditor of State
Betty Montgomery**

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Wapakoneta City School District, Auglaize County, (the District) as of and for the year ended June 30, 2002, which collectively comprise the District basic financial statements as listed in the table of contents. The basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Wapakoneta City School District, Auglaize County, as of June 30, 2002, and the respective changes in financial position, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2002, the District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2003, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

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

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

Betty Montgomery
Auditor of State

March 11, 2003

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

The discussion and analysis of Wapakoneta City School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2002. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2002 are as follows:

In total, net assets increased \$2,329 thousand, indicating a significant change from the prior fiscal year. Intergovernmental revenue represented the largest amount of this increase and was primarily due to an increase in the basic aid from \$4,200 per pupil to \$4,800 per pupil.

General revenues accounted for \$20,307 thousand, or 84 percent of all revenues, and reflects the School District's significant dependence on property taxes and unrestricted state entitlements.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand Wapakoneta City School District as a financial whole, or as an entire operating entity.

The statement of net assets and the statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances.

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

Reporting the School District as a Whole

Statement of Net Assets and Statement of Activities

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2002. These statements include all non fiduciary assets and liabilities using the accrual basis of accounting similar to that which is used by most private-sector companies. This basis of accounting considers all of the current fiscal years' revenues and expenses regardless of when cash is received or paid.

These 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 whether the financial position of the School District as a whole has increased or decreased from the prior fiscal year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Nonfinancial factors include the School District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs, and other factors.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Reporting the School District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. 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.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2002 compared to fiscal year 2001:

Table 1 Net Assets (In Thousands)		
	Governmental Activities	
	2002	2001
Assets:		
Current and Other Assets	\$17,060	\$15,338
Capital Assets, Net	19,572	19,255
Total Assets	<u>36,632</u>	<u>34,593</u>
Liabilities:		
Current and Other Liabilities	8,497	8,178
Long-Term Liabilities	5,284	5,893
Total Liabilities	<u>13,781</u>	<u>14,071</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	15,197	14,255
Restricted	4,288	3,446
Unrestricted	3,366	2,821
Total Net Assets	<u>\$22,851</u>	<u>\$20,522</u>

Total assets increased \$2,039 thousand. The increase is primarily due to tax revenues retained as cash and cash equivalents rather than spent on planned projects. The total liabilities decrease of \$290 thousand is due to the reduction in long term obligations.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2002. Since this is the first year the School District has prepared financial statements according to GASB Statement No. 34, revenue and expense comparisons to fiscal year 2001 are not available. In future years, when prior fiscal year information is available, a comparative analysis of government-wide data will be presented.

**Table 2
Change in Net Assets
(In Thousands)**

	Governmental Activities 2002
Revenues	
Program Revenues:	
Charges for Services and Sales	\$1,080
Operating Grants, Contributions, and Interest	2,575
Capital Grants and Contributions	261
Total Program Revenues	3,916
General Revenues:	
Property Taxes	6,395
Income Taxes	2,176
Payment in Lieu of Taxes	85
Intergovernmental	10,730
Interest	291
Miscellaneous	630
Total General Revenues	20,307
Total Revenues	24,223
Expenses	
Instruction	11,734
Support Services:	
Pupils	1,624
Instructional Staff	1,079
Board of Education	12
Administration	1,530
Fiscal	463
Operation and Maintenance of Plant	2,270
Transportation	1,135
Central	61
Non-Instructional Services	1,133
Extracurricular Activities	470
Interest and Fiscal Charges	383
Total Expenses	21,894
Increase in Net Assets	\$2,329

Program revenues account for 16 percent of total revenues and are primarily represented by restricted intergovernmental revenues, charges for tuition and fees and extracurricular activities, and food service sales. Miscellaneous revenues included the sale of Blue Cross/Blue Shield stock of \$608 thousand. During fiscal year 2002, the company went public and issued stock to their current participants.

The major program expenses for governmental activities are for instruction, which accounts for 54 percent of all governmental expenses. Other programs which support the instruction process, including pupils, instructional staff, and pupil transportation account for 18 percent of governmental expenses. Maintenance of the School District's facilities also represents a significant expense, 10 percent. Therefore, over 82 percent of the School District's expenses are related to the primary functions of providing facilities and delivering education. As can be seen, these costs are funded almost entirely from property taxes and grants and entitlements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Governmental Activities

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted state entitlements. Comparisons to fiscal year 2001 have not been made since they are not available.

**Table 3
Governmental Activities
(In Thousands)**

	Total Cost of Services 2002	Net Cost of Services 2002
Instruction	\$11,734	\$10,272
Support Services:		
Pupils	1,624	1,551
Instructional Staff	1,079	876
Board of Education	12	12
Administration	1,530	1,454
Fiscal	463	463
Operation and Maintenance of Plant	2,270	2,270
Pupil Transportation	1,135	465
Central	61	24
Non-Instructional Services	1,133	25
Extracurricular Activities	470	183
Interest and Fiscal Charges	383	383
Total Expenses	\$21,894	\$17,978

The dependence upon tax revenues and unrestricted state entitlements for governmental activities is apparent. Over 87 percent of instruction activities are supported through taxes and other general revenues. For all governmental activities, support from general revenues is 82 percent. It is apparent that the community, as a whole, is the primary support for Wapakoneta City School District students.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. In total, governmental funds had revenues of \$24,279 thousand and expenditures \$22,751 thousand. The net positive change of \$1,528 thousand in fund balance for the year indicates the School District is able to meet current costs.

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 2002, the School District amended its General Fund budget as needed. Final budgeted revenues, in the amount of \$18,696 thousand, were below original budgeted revenues, in the amount of \$18,715 thousand.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Final expenditures were budgeted at \$20,706 thousand which was a \$3,542 thousand increase from the original budget. The primary increase was from finalizing appointments to teaching positions in July and August, 2001, and appropriating the salaries and benefits for those positions.

Actual General Fund revenues were less than expenditures by \$222 thousand. The difference can largely be attributed to recording encumbrances for regular instruction, operation and maintenance of plant, and capital outlay which are reflected as expenditures.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2002, the School District had \$19,572 thousand invested in capital assets (net of accumulated depreciation) for governmental activities, an increase of \$317 thousand, or 2 percent.

The primary increase in capital assets for governmental activities was the completion of the Ryan Field soccer field concession stand, restrooms, and locker rooms in fiscal year 2002. Additions included computer related purchases, maintenance equipment, two school buses, and two vans. Disposals primarily consisted of two school buses and a van.

Note 11 provides additional details regarding capital assets.

Debt

At June 30, 2002, the School District had outstanding general obligation bonds, in the amount of \$4,375 thousand. The general obligation bonds are being paid from the Bond Retirement debt service fund.

The School District has asbestos removal loans with the U. S. Environmental Protection Agency, in the amount of \$86,250. The annual loan payments are \$18,460, and the loans will be fully paid in fiscal year 2008.

At June 30, 2002, the School District's overall legal debt margin was \$21,530,022 with an unvoted debt margin of \$275,750.

In addition to the debt outlined above, the School District's long-term debt also includes compensated absences. Note 18 provides additional details regarding debt.

Current Issues

Wapakoneta City School District remains stable in the state of a declining economy and uncertainty in State funding. The School District is the largest employer within the School District's boundaries. Enrollment has been declining over the past several years. On December 19, 2002, the Board of Education passed a resolution to accept a ten-year real estate abatement with Lakin Manufacturing Corporation. The School District will receive \$235,000 from the Corporation over the ten-year period in lieu of receiving real estate property taxes. The Corporation intends to close both their Chicago, Illinois and Jackson Center, Ohio plants and move their operations to Wapakoneta.

Over the past several years, the School District has maintained a good financial position. In 1991, the School District passed a continuing income tax for operations which provides a continuous source of funds for a financial cushion. The School District also passed a continuing income tax for permanent improvements in 1996 to provide additional finances to maintain the School District's instructional buildings.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Rinehart, Treasurer, Wapakoneta City School District, 3 North Pine Street, Wapakoneta, Ohio 45895.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS
JUNE 30, 2002**

	Governmental Activities
Assets:	
Equity in Pooled Cash and Cash Equivalents	\$8,703,030
Cash and Cash Equivalents with Escrow Agent	24,039
Cash and Cash Equivalents in Segregated Accounts	679,530
Accrued Interest Receivable	32,922
Accounts Receivable	23,212
Intergovernmental Receivable	223,353
Prepaid Items	151,563
Income Taxes Receivable	864,303
Property Taxes Receivable	6,358,101
Nondepreciable Capital Assets	325,854
Depreciable Capital Assets, Net	19,246,656
Total Assets	36,632,563
 Liabilities:	
Accounts Payable	123,455
Accrued Wages and Benefits Payable	1,667,955
Intergovernmental Payable	486,407
Matured Compensated Absences Payable	66,637
Special Termination Benefits Payable	28,801
Retainage Payable	24,039
Accrued Interest Payable	29,076
Deferred Revenue	6,071,211
Long-Term Liabilities:	
Due Within One Year	712,985
Due in More Than One Year	4,570,890
Total Liabilities	13,781,456
 Net Assets:	
Invested in Capital Assets, Net of Related Debt	15,197,510
Restricted For:	
Debt Service	981,179
Capital Projects	3,261,536
Other Purposes	44,530
Unrestricted	3,366,352
Total Net Assets	\$22,851,107

See Accompanying Notes to Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
	Expenses	Charges for Services and Sales	Operating Grants, Contributions, and Interest	
Governmental Activities:				
Instruction:				
Regular	\$9,946,962	\$138,088	\$196,530	(\$9,612,344)
Special	1,547,916		1,043,570	(504,346)
Vocational	237,756	3,590	77,185	(154,905)
Adult/Continuing	1,168		984	(184)
Support Services:				
Pupils	1,624,423		73,793	(1,550,630)
Instructional Staff	1,078,963		102,022	(876,561)
Board of Education	12,042			(12,042)
Administration	1,530,240	41,071	34,796	(1,454,373)
Fiscal	463,483			(463,483)
Operation and Maintenance of Plant	2,269,922			(2,269,922)
Pupil Transportation	1,135,203		616,715	(464,956)
Central	60,595		36,280	(24,315)
Non-Instructional Services	1,133,425	726,643	381,842	(24,940)
Extracurricular Activities	469,874	170,575	11,746	(182,553)
Interest and Fiscal Charges	382,566	-	-	(382,566)
Total Governmental Activities	\$21,894,538	\$1,079,967	\$2,575,463	(\$17,978,120)

General Revenues:

Property Taxes Levied for:	
General Purposes	\$5,162,248
Debt Service	1,051,510
Permanent Improvements	180,913
Income Taxes Levied for:	
General Purposes	1,457,744
Permanent Improvements	717,994
Payment in Lieu of Taxes	85,000
Grants and Entitlements not Restricted to Specific Programs	10,730,350
Interest	291,247
Miscellaneous	630,433
Total General Revenues	20,307,439
 Change in Net Assets	 2,329,319
 Net Assets Beginning of Year - Restated (See Note 3)	 20,521,788
Net Assets End of Year	\$22,851,107

See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2002**

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$4,283,214	\$1,048,180	\$2,909,256	\$462,380	\$8,703,030
Cash and Cash Equivalents in Segregated Accounts				679,530	679,530
Accrued Interest Receivable	31,283		1,639		32,922
Accounts Receivable	20,225		1,807	1,180	23,212
Interfund Receivable	137,712				137,712
Intergovernmental Receivable	3,102			220,251	223,353
Prepaid Items	140,383			11,180	151,563
Income Taxes Receivable	579,083		285,220		864,303
Restricted Assets:					
Cash and Cash Equivalents with Escrow Agent			24,039		24,039
Property Taxes Receivable	5,147,415	1,031,365	179,321		6,358,101
Total Assets	<u>10,342,417</u>	<u>2,079,545</u>	<u>3,401,282</u>	<u>1,374,521</u>	<u>17,197,765</u>
Liabilities and Fund Balances:					
Liabilities					
Accounts Payable	115,866			7,589	123,455
Interfund Payable				137,712	137,712
Accrued Wages and Benefits Payable	1,517,181			127,272	1,644,453
Intergovernmental Payable	282,829		4,706	19,936	307,471
Matured Compensated Absences Payable	23,502			66,637	90,139
Liabilities Payable from Restricted Assets:					
Retainage Payable			24,039		24,039
Deferred Revenue	5,058,472	992,041	207,908	3,705	6,262,126
Total Liabilities	<u>6,997,850</u>	<u>992,041</u>	<u>236,653</u>	<u>362,851</u>	<u>8,589,395</u>
Fund Balances:					
Reserved for Interfund Receivable	50,000				50,000
Reserved for Property Taxes	187,808	39,324	6,298		233,430
Reserved for Encumbrances	866,660		61,971	15,825	944,456
Unreserved, Designated for Termination Benefits				59,963	59,963
Unreserved, Reported in:					
General Fund	2,240,099				2,240,099
Special Revenue Funds				876,591	876,591
Debt Service Fund		1,048,180			1,048,180
Capital Projects Funds			3,096,360	59,291	3,155,651
Total Fund Balances	<u>3,344,567</u>	<u>1,087,504</u>	<u>3,164,629</u>	<u>1,011,670</u>	<u>8,608,370</u>
Total Liabilities and Fund Balances	<u>\$10,342,417</u>	<u>\$2,079,545</u>	<u>\$3,401,282</u>	<u>\$1,374,521</u>	<u>\$17,197,765</u>

See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2002**

Total Governmental Fund Balances	\$8,608,370
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Amounts reported for governmental activities on the statement of net assets are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, not reported in the funds.	19,572,510
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Other long-term assets are not available to pay for current period expenditures and, therefore, deferred in the funds:

Accrued Interest Receivable	\$12,278	
Accounts Receivable	15,761	
Intergovernmental Receivable	3,705	
Income Taxes Receivable	105,712	
Property Taxes Receivable	53,459	
		190,915

Intergovernmental payable includes contractually required pension contributions not expected to be paid with available expendable resources and, therefore, not reported in the funds.	(178,936)
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Some liabilities are not due and payable in the current period and, therefore, not reported in the funds:

Accrued Interest Payable	(29,076)	
Compensated Absences Payable	(822,625)	
Special Termination Benefits Payable	(28,801)	
Asbestos Removal Loan Payable	(86,250)	
General Obligation Bonds Payable	(4,375,000)	
		(5,341,752)

Net Assets of Governmental Activities	<u>\$ 22,851,107</u>
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See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	General Fund	Bond Retirement Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property Taxes	\$5,157,155	\$1,050,469	\$180,784		\$6,388,408
Income Taxes	1,501,004		739,301		2,240,305
Payment in Lieu of Taxes	85,000				85,000
Intergovernmental	12,037,623	125,632	20,789	\$1,222,380	13,406,424
Interest	262,270		7,270	17,588	287,128
Tuition and Fees	143,823				143,823
Extracurricular Activities				211,646	211,646
Charges for Services				726,193	726,193
Gifts and Donations	98,600		50,000	10,500	159,100
Miscellaneous	628,626		1,807	450	630,883
Total Revenues	19,914,101	1,176,101	999,951	2,188,757	24,278,910
Expenditures:					
Current:					
Instruction:					
Regular	9,459,219			178,518	9,637,737
Special	1,161,185			351,286	1,512,471
Vocational	232,510				232,510
Adult/Continuing				1,168	1,168
Support Services:					
Pupils	1,504,747			83,904	1,588,651
Instructional Staff	896,085			149,265	1,045,350
Board of Education	12,042				12,042
Administration	1,399,119			92,411	1,491,530
Fiscal	418,964	23,217	16,582		458,763
Operation and Maintenance of Plant	2,748,422		24,039	37,681	2,810,142
Pupil Transportation	1,028,846				1,028,846
Central	24,286			36,309	60,595
Non-Instructional Services	2,611			1,086,042	1,088,653
Extracurricular Activities	255,827			161,106	416,933
Capital Outlay	135,273		135,979	63,948	335,200
Debt Service:					
Principal Retirement		643,460			643,460
Interest and Fiscal Charges		386,719			386,719
Total Expenditures	19,279,136	1,053,396	176,600	2,241,638	22,750,770
Excess of Revenues Over (Under) Expenditures	634,965	122,705	823,351	(52,881)	1,528,140
Other Financing Sources (Uses):					
Transfers In	118,047		848,318	132,241	1,098,606
Transfers Out	(974,918)		(5,641)	(118,047)	(1,098,606)
Total Other Financing Sources (Uses)	(856,871)		842,677	14,194	
Net Change in Fund Balances	(221,906)	122,705	1,666,028	(38,687)	1,528,140
Fund Balances at Beginning of Year - Restated (See Note 3)	3,566,473	964,799	1,498,601	1,050,357	7,080,230
Fund Balances at End of Year	\$3,344,567	\$1,087,504	\$3,164,629	\$1,011,670	\$8,608,370

See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

Net Change in Fund Balances - Total Governmental Funds \$1,528,140

Amounts reported for governmental activities on the statement of activities are different because of the following:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current year:

Capital Outlay	\$990,760	
Depreciation	(661,664)	
	329,096	329,096

The cost of capital assets removed from the capital asset account on the statement of net assets results in a loss on disposal of capital assets on the statement of activities.

Loss on Disposal of Capital Assets		(12,800)
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Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds:

Property Taxes	6,263	
Income Taxes	(64,567)	
Intergovernmental	190	
Interest	4,411	
Tuition and Fees	(2,500)	
Gifts and Donations	795	
Miscellaneous	355	
	(55,053)	(55,053)

Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of activities.

643,460

Interest is reported as an expenditure when due in the governmental funds, but is accrued on outstanding debt on the statement of activities.

Accrued Interest Payable		4,153
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Some expenses reported on the statement of activities, such as compensated absences and intergovernmental payables representing contractually required pension contributions, do not require the use of current financial resources, therefore, are not reported as expenditures in governmental funds:

Intergovernmental Payable	(61,396)	
Compensated Absences Payable	(34,282)	
Special Termination Benefits Payable	(11,999)	
	(107,677)	(107,677)

Change in Net Assets of Governmental Activities

\$2,329,319

See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BASIS) AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	Original	Final		
Revenues:				
Property Taxes	\$5,231,000	\$5,204,036	\$5,204,036	
Income Taxes	1,543,636	1,517,304	1,517,304	
Payment in Lieu of Taxes		85,000	85,000	
Intergovernmental	11,325,000	11,260,352	12,037,813	\$777,461
Interest	411,000	243,265	243,265	
Tuition and Fees	117,000	145,475	145,475	
Extracurricular Activities		58	58	
Gifts and Donations	75,000	98,600	98,600	
Miscellaneous	12,200	142,286	750,611	608,325
Total Revenues	18,714,836	18,696,376	20,082,162	1,385,786
Expenditures:				
Current:				
Instruction:				
Regular	8,415,290	9,729,654	9,676,057	53,597
Special	692,964	1,221,358	1,207,558	13,800
Vocational	227,293	250,266	249,114	1,152
Support Services:				
Pupils	1,316,166	1,525,733	1,506,301	19,432
Instructional Staff	908,653	1,327,466	1,241,067	86,399
Board of Education	7,770	12,539	12,039	500
Administration	1,176,447	1,400,695	1,393,318	7,377
Fiscal	353,417	449,501	426,890	22,611
Operation and Maintenance of Plant	3,108,478	3,281,635	3,143,530	138,105
Pupil Transportation	878,681	1,076,322	1,032,376	43,946
Central	41,619	36,896	26,505	10,391
Non-Instructional Services		2,611	2,611	
Extracurricular Activities	37,607	255,744	251,945	3,799
Capital Outlay		135,273	135,273	
Total Expenditures	17,164,385	20,705,693	20,304,584	401,109
Excess of Revenues Over (Under) Expenditures	1,550,451	(2,009,317)	(222,422)	1,786,895
Other Financing Uses:				
Transfers Out		(974,918)	(974,918)	
Net Change in Fund Balance	1,550,451	(2,984,235)	(1,197,340)	1,786,895
Fund Balance at Beginning of Year	3,693,461	3,693,461	3,693,461	
Prior Year Encumbrances Appropriated	884,900	884,900	884,900	
Fund Balance at End of Year	\$6,128,812	\$1,594,126	\$3,381,021	\$1,786,895

See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
JUNE 30, 2002**

Assets:

Equity in Pooled Cash and Cash Equivalents	<u><u>\$90,809</u></u>
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Liabilities:

Undistributed Monies	3,433
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Due to Students	<u>87,376</u>
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Total Liabilities	<u><u>\$90,809</u></u>
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See Accompanying Notes to the Basic Financial Statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established through the consolidation of existing land areas and school districts. The School District serves an area of approximately one hundred fifty-five square miles. It is located in Auglaize County. The School District is the 141st largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by one hundred twenty-two classified employees; one hundred seventy-eight certified teaching personnel, and sixteen administrative employees who provide services to 3,285 students and other community members. The School District currently operates four elementary schools, a middle school, a high school, and an administration/garage building.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District has no 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 included as a nonmajor governmental fund for financial reporting purposes.

The School District participates in six jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Ohio Regional Professional Development Center, Northwestern Ohio Education Research Council, Inc., West Central Ohio Special Education Regional Resource Center, Southwestern Ohio Educational Purchasing Cooperative, and the NOACSC Workers' Compensation Group Rating Plan. These organizations are presented in Notes 21 and 22 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Wapakoneta City School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Following are the more significant of the School District's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants, contributions, and interest that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

2. Fund Financial Statements

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

B. Fund Accounting

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

Governmental funds are those through which most governmental functions of the School District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School District's major funds are the General Fund, Bond Retirement debt service fund, and the Permanent Improvement capital projects fund.

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

Bond Retirement - The Bond Retirement debt service fund is used to account for the accumulation of resources for, and the payment of principal, interest, and related costs of the asbestos removal loans and the high school general obligation bonds.

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

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

2. Fiduciary Funds

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

C. Measurement Focus

1. Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All non fiduciary assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (e.g., revenues) and decreases (e.g., expenses) in total net assets.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting; fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

1. Revenues - Exchange and Nonexchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the fiscal year in which the income is earned. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, student fees, and charges for services.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Deferred Revenues

Deferred revenues arise when assets are recognized before revenue recognition criteria has been satisfied.

Property taxes for which there was an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period are reported as deferred revenue.

3. Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control selected by the Board is the fund level for all funds. Budgetary allocations at the function and object level in all funds are made by the Treasurer.

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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".

The School District maintains separate accounts for the accumulated retainage on contracts for renovation of the School District's buildings. The amount held within these accounts is reflected as "Cash and Cash Equivalents with Escrow Agent".

The School District holds monies in a separate account for the remaining balance of a terminated self-insurance program. This amount is reflected as "Cash and Cash Equivalents in Segregated Accounts".

During fiscal year 2002, the School District's investments included repurchase agreements, federal agency securities, and STAR Ohio. Repurchase agreements are reported at cost. Federal agency securities are reported at fair value, which is based on quoted market prices. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2002.

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 2002 was \$262,270, which includes \$53,667 assigned from other School District funds.

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

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

H. 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, laws of other governments, or imposed by enabling legislation.

Restricted assets in the Permanent Improvement capital projects fund represent amounts held by an escrow agent for retainage.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Capital Assets

All of the School District's capital assets are general capital assets resulting from expenditures in the governmental funds. These assets are reported in the governmental activities column on the government-wide statement of net assets but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The School District maintains a capitalization threshold of five thousand dollars. The School District does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Useful Lives
Land Improvements	20 years
Buildings and Building Improvements	50 - 100 years
Improvements Other Than Buildings	20 - 50 years
Furniture, Fixtures, and Equipment	4 - 20 years
Vehicles	10 - 15 years

J. Interfund Assets/Liabilities

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables". Interfund balances within governmental activities are eliminated on the statement of net assets.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the School District will compensate the employees for the benefits through time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for all employees after twenty years of service.

The entire compensated absences liability is reported on the government-wide financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave are paid.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported on the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, contractually required pension contributions and compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for interfund receivable, property taxes, and encumbrances.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

O. Interfund Transactions

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. Neither of these types of transactions occurred during the fiscal year.

Q. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE

A. Change in Accounting Principles

For fiscal year 2002, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*"; GASB Statement No. 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*"; GASB Statement No. 38, "*Certain Financial Statement Note Disclosures*"; and GASB Interpretation No. 6, "*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*".

GASB Statement No. 34 creates new basic financial statements for reporting on the School District's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

On the government-wide financial statements, the beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at June 30, 2001, caused by the conversion to the full accrual basis of accounting.

GASB Statement No. 37 makes certain clarifications regarding escheat property and modifies several provisions of GASB Statement No. 34, including Management's Discussion and Analysis. GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement disclosure requirements.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

**3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF FUND BALANCE
(Continued)**

B. Restatement of Fund Balance

The restatement due to the implementation of the above statements and interpretation had the following effect on fund balance of the major and nonmajor funds of the School District as they were previously reported. The transition from governmental fund balance to net assets of governmental activities is also presented.

	<u>General Fund</u>	<u>Bond Retirement Fund</u>	<u>Permanent Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Fund Balance June 30, 2001	\$3,613,944	\$964,799	\$1,498,601	\$162,010	\$6,239,354
GASB Statement No. 34 Adjustments:					
Change in Fund Structure	143	0	0	888,347	888,490
Accrued Interest Receivable	(7,867)	0	0	0	(7,867)
GASB Interpretation No. 6 Adjustment:					
Compensated Absences Payable	(39,747)	0	0	0	(39,747)
Adjusted Fund Balance	<u>\$3,566,473</u>	<u>\$964,799</u>	<u>\$1,498,601</u>	<u>\$1,050,357</u>	7,080,230
GASB Statement No. 34 Adjustments:					
Long-Term (Deferred)					
Accrued Interest Receivable					7,867
Accounts Receivable					17,906
Intergovernmental Receivable					3,515
Income Taxes Receivable					170,279
Property Taxes Receivable					47,196
Capital Assets					19,255,419
Long-Term Liabilities:					
Intergovernmental Payable					(117,540)
Compensated Absences Payable					(788,343)
Special Termination Benefits					(16,802)
Accrued Interest Payable					(33,229)
Asbestos Removal Loan Payable					(104,710)
General Obligation Bonds Payable					<u>(5,000,000)</u>
Governmental Activities Net					<u>\$20,521,788</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

4. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

At June 30, 2002, the EMIS, SchoolNet Professional Development, Eisenhower, and Title VI R special revenue funds, and the Emergency Building capital projects fund had deficit fund balances, in the amount of \$29, \$3, \$6, \$332, and \$50,000, respectively, resulting from adjustments for accrued liabilities. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

B. Compliance

The Eisenhower, Title VI B, Title I, Title VI, Drug Free, and Title VI R special revenue funds had deficit cash balances of \$208, \$48,709, \$946, \$9,927, \$1,857, and \$26,065, respectively. An interfund receivable/payable was established between the General Fund and the above funds to eliminate the deficit cash balances at fiscal year end.

The Ohio Reads special revenue fund had appropriations in excess of estimated resources plus available balances, in the amount of \$12,000.

The Data Communications and SchoolNet Professional Development special revenue funds had expenditures plus outstanding encumbrances in excess of appropriations for the fiscal year ended June 30, 2002, in the amount of \$3,500 and \$3,450, respectively.

5. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	Net Change in Fund Balance
GAAP Basis	(\$221,906)
Increase (Decrease) Due To:	
Revenue Accruals:	
Accrued FY 2001, Received in Cash FY 2002	776,958
Accrued FY 2002, Not Yet Received in Cash	(722,636)
Expenditure Accruals:	
Accrued FY 2001, Paid in Cash FY 2002	(1,943,187)
Accrued FY 2002, Not Yet Paid in Cash	1,939,378
Unrecorded Cash Activity FY 2001	2,370
Unrecorded Cash Activity FY 2002	(6,678)
Prepaid Items	(38,412)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	<u>(983,227)</u>
Budget Basis	<u><u>(\$1,197,340)</u></u>

6. DEPOSITS AND INVESTMENTS

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

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

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rated classifications by at least two nationally recognized rating agencies.

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 the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

At fiscal year end, the carrying amount of the School District's deposits was \$4,397,716 and the bank balance was \$5,116,623. Of the bank balance, \$400,000 was covered by federal depository insurance. The remaining amounts were uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Federal Home Loan Bank Bonds	\$803,504	\$0	\$803,504	\$803,504
Federal National Mortgage Association Bonds	906,192	0	906,192	906,192
Repurchase Agreement	0	255,629	255,629	255,629
	<u>\$1,709,696</u>	<u>\$255,629</u>	1,965,325	1,965,325
STAR Ohio			3,134,367	3,134,367
Totals			<u>\$5,099,692</u>	<u>\$5,099,692</u>

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting". A reconciliation between the classification of cash and cash equivalents and investments on the basic financial statements and the classification of deposits and investments according to GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
GASB Statement No. 9	\$9,497,408	\$0
Investments:		
Federal Home Loan Bank Bonds	(803,504)	803,504
Federal National Mortgage Association Bonds	(906,192)	906,192
Repurchase Agreement	(255,629)	255,629
STAR Ohio	(3,134,367)	3,134,367
GASB Statement No. 3	<u>\$4,397,716</u>	<u>\$5,099,692</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

7. RECEIVABLES

Receivables at June 30, 2002, consisted of accrued interest, accounts (student fees and billings for user charged services), interfund, intergovernmental, income taxes, and property taxes. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
General Fund	\$3,102
Other Governmental Funds	
Food Service	36,247
Adult Vocational Education	984
Vocational Equipment	1,281
Eisenhower	208
Title VI B	77,056
Title I	53,573
Title VI	12,718
Drug Free	2,309
Title VI R	34,675
Interactive Video Distance Learning	1,200
Total Other Governmental Funds	220,251
Total Intergovernmental Receivables	\$223,353

8. INCOME TAXES

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

9. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the School District's fiscal year runs from July through June. First-half tax distributions are received by the School District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year. Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

9. PROPERTY TAXES (Continued)

Real and public utility property tax revenues received in calendar year 2002 represent the collection of calendar year 2001 taxes. Real property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of January 1, 2001, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes received in calendar year 2002 were levied after April 1, 2001, on the assessed values as of December 31, 2000, the lien date. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in calendar year 2002 (other than public utility property) represent the collection of calendar year 2002 taxes. Tangible personal property taxes received in calendar year 2002 were levied after April 1, 2002, on the value as of December 31, 2001. Tangible personal property is currently assessed at 25 percent of true value. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Auglaize County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the county by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2002, and for which there was an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations and is reflected as revenue at fiscal year end. The receivable is offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30, 2002, was \$187,808 in the General Fund, \$39,324 in the Bond Retirement debt service fund, and \$6,298 in the Permanent Improvement capital projects fund. The amount available as an advance at June 30, 2001, was \$234,689 in the General Fund, \$47,880 in the Bond Retirement debt service fund, and \$8,000 in the Permanent Improvement capital projects fund. On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. On the modified accrual basis, the revenue is deferred.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	2001 Second- Half Collections		2002 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$183,354,120	67.38%	\$186,952,050	67.80%
Industrial/Commercial	42,851,420	15.75	42,630,060	15.46
Public Utility	15,425,220	5.67	12,409,370	4.50
Tangible Personal	30,469,390	11.20	33,758,720	12.24
Total Assessed Value	<u>\$272,100,150</u>	<u>100.00%</u>	<u>\$275,750,200</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$30.70		\$30.70	

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

10. PAYMENT IN LIEU OF TAXES

As provided by State law, the School District has entered into agreements with a number of property owners in which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owners' contractual promises to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2002 were \$85,000.

11. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2002, was as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02
Governmental Activities				
Nondepreciable Capital Assets				
Land	\$325,854	\$0	\$0	\$325,854
Depreciable Capital Assets				
Land Improvements	358,924	0	0	358,924
Buildings and Building Improvements	19,535,308	764,136	0	20,299,444
Improvements Other Than Buildings	818,754	0	0	818,754
Furniture, Fixtures, and Equipment	2,140,815	79,999	0	2,220,814
Vehicles	2,097,790	147,420	(95,025)	2,150,185
Total Depreciable Capital Assets	24,951,591	991,555	(95,025)	25,848,121
Less Accumulated Depreciation				
Land Improvements	(52,270)	(17,946)	0	(70,216)
Buildings and Building Improvements	(3,351,203)	(258,368)	0	(3,609,571)
Improvements Other Than Buildings	(394,545)	(24,535)	0	(419,080)
Furniture, Fixtures, and Equipment	(1,320,267)	(169,817)	0	(1,490,084)
Vehicles	(903,741)	(190,998)	82,225	(1,012,514)
Total Accumulated Depreciation	(6,022,026)	(661,664)	82,225	(6,601,465)
Depreciable Capital Assets, Net	18,929,565	329,891	(12,800)	19,246,656
Governmental Activities Capital Assets, Net	<u>\$19,255,419</u>	<u>\$329,891</u>	<u>(\$12,800)</u>	<u>\$19,572,510</u>

The School District accepted a contribution of depreciable capital assets for governmental activities with a fair value of \$795 during fiscal year 2002.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

11. CAPITAL ASSETS (Continued)

Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$263,107
Special	21,857
Vocational	16,333
Support Services:	
Pupils	18,958
Instructional Staff	16,117
Administration	16,753
Fiscal	944
Operation and Maintenance of Plant	17,956
Pupil Transportation	187,974
Non-Instructional Services	34,803
Extracurricular Activities	66,862
Total Depreciation Expense	<u>\$661,664</u>

12. INTERFUND ASSETS/LIABILITIES

At June 30, 2002, the General Fund had an interfund receivable from other governmental funds, in the amount of \$137,712, as a result of deficit cash balances in grant funds of \$87,712, and an interfund loan used to provide cash flow resources until the receipt of grant monies of \$50,000.

13. 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 2002, the School District contracted for the following insurance coverage.

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

General Liability	
Per Occurrence	\$1,000,000
Aggregate	2,000,000
Building and Contents	46,766,003
Musical Instruments	128,895
Computer Equipment	537,671
Inland Marine	140,809

Coverage provided by Midwestern Indemnity Company is as follows:

Automobile Liability	1,000,000
Excess Liability	5,000,000

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

13. RISK MANAGEMENT (Continued)

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.

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

14. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Garmann and Miller	Soccer Field	\$8,702
Ohio Plumbing	Soccer Field Concession	4,800
Beem Construction	Soccer Field Lockers	27,771
Hume Supply	Soccer Field Lockers	10,563
Steinke Concrete	Concrete Work	11,913
Porter Athletic Equipment	Batting Cages and Wall Pads	24,900
Frost and Company	Counter Tops	23,043
Area Energy and Electric	Electric for Modular	10,150
Apex Structures	Modular	68,149
Smith-Boughan, Inc.	Heater Replacement	24,853

15. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

15. DEFINED BENEFIT PENSION PLANS (Continued)

STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the School District is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2002. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$825,989, \$796,160, and \$495,978, respectively; 84 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$133,497, is recorded as a liability.

B. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.46 percent was the portion used to fund pension obligations for fiscal year 2002. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board.

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$134,327, \$97,797, and \$118,638, respectively; 42 percent has been contributed for fiscal year 2002 and 100 percent for fiscal years 2001 and 2000. The unpaid contribution for fiscal year 2002, in the amount of \$77,346, is recorded as a liability.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2002, four 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
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

16. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired classified employees and their dependents through the School Employees Retirement System (SERS).

Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligation to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount was \$391,258.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3,256 million at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

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

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 8.54 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400. For the School District, the amount to fund health care benefits, including the surcharge, was \$256,822 for fiscal year 2002.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses.

Expenses for health care for the fiscal year ended June 30, 2001 (the latest information available), were \$161,439,934, and the target level was \$242.2 million. At June 30, 2001, SERS had net assets available for payment of health care benefits of \$315.7 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

17. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for teachers and administrators, and two hundred thirty days for classified employees. Upon retirement, payment is made for one-fifth of their accrued, but unused sick leave credit for teachers and administrators. Classified employees are paid one-fourth of their accrued, but unused sick leave credit to a maximum of fifty-seven and one-half days. Severance pay is paid prior to February 1, in the year following retirement.

B. Health Care Benefits

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

C. Special Termination Benefit

The School District provides a special termination benefit to eligible certified employees. In order to be eligible, the certified employee:

1. Must have ten or more years of service with the School District as a member of the bargaining unit, five of which must be consecutive and in paid status immediately prior to retirement;
2. Must have 30 years membership under STRS; and
3. Must give written notice to the Superintendent by no later than March 1 of the year he/she first becomes eligible for full retirement under STRS.

Certified employees meeting the requirements shall receive an amount equal to one day severance pay for each year of service to the School District, not to exceed thirty days. The School District will pay the incentive to qualifying bargaining unit members in one lump sum payment. Such payment shall be made no later than twelve months following the effective date of separation.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

18. LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	Balance at 6/30/01	Additions	Reductions	Balance at 6/30/02	Amounts Due Within One Year
Governmental Activities					
General Long-Term Obligations					
1988, 0% Asbestos Removal	\$34,374	\$0	\$7,639	\$26,735	\$7,639
1990, 0% Asbestos Removal	70,336	0	10,821	59,515	10,821
1987, 8.25% High School General Obligation Bonds	5,000,000	0	625,000	4,375,000	625,000
Total Long-Term Obligations	5,104,710	0	643,460	4,461,250	643,460
Compensated Absences	788,343	88,725	54,443	822,625	69,525
Total Governmental Activities Long-Term Obligations	<u>\$5,893,053</u>	<u>\$88,725</u>	<u>\$697,903</u>	<u>\$5,283,875</u>	<u>\$712,985</u>

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

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

Compensated absences will be paid from the Severance special revenue fund.

The School District's overall debt margin was \$21,530,022 with an unvoted debt margin of \$275,750 at June 30, 2002.

Fiscal year Ending June 30,	General Obligation Bonds		Asbestos Removal Loan
	Principal	Interest	
2003	\$625,000	\$335,156	\$18,460
2004	625,000	283,594	18,460
2005	625,000	232,031	18,460
2006	625,000	180,469	14,640
2007	625,000	128,906	10,820
2008-2009	1,250,000	103,125	5,410
Total	<u>\$4,375,000</u>	<u>\$1,263,281</u>	<u>\$86,250</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

19. SET ASIDES

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks, capital improvements, and budget stabilization during fiscal year 2002.

	<u>Textbooks</u>	<u>Capital Improvements</u>	<u>Budget Stabilization</u>
Balance June 30, 2001	(\$944,740)	\$0	\$62,318
Current Year Set Aside Requirement	378,445	378,445	0
Current Year Offsets	0	(378,445)	0
Qualifying Expenditures	(1,255,258)	0	(62,318)
Balance June 30, 2002	<u>(\$1,821,553)</u>	<u>\$0</u>	<u>\$0</u>
Amount Carried Forward to Fiscal Year 2003	<u>(\$1,821,553)</u>	<u>\$0</u>	<u>\$0</u>

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

20. INTERFUND TRANSFERS

During fiscal year 2002, the General Fund made transfers to the Permanent Improvement capital projects fund, in the amount of \$848,318, to develop the School District's master plan, and to other governmental funds, in the amount of \$126,600, for payment of future termination benefits. The Permanent Improvement capital projects fund transferred \$5,641 to other governmental funds to pay expenditures not covered by grant resources. Other governmental funds made transfers, in the amount of \$118,047, to the General Fund to pay medical insurance premiums.

21. 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

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 2002, the School District paid \$42,237 to the NOACSC for various services. Financial information can be obtained from Michael Wildermuth, who serves as Director, 645 South Main Street, Lima, Ohio 45804.

B. Apollo Joint Vocational School

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

C. West Central Ohio Regional Professional Development Center

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

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

D. Northwestern Ohio Education Research Council, Inc.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

21. JOINTLY GOVERNED ORGANIZATIONS (Continued)

E. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from Krista Hart, Hardin County Educational Service Center, 1 Court House Square, Suite 50, Kenton, Ohio 43326-2385.

F. Southwestern Ohio Educational Purchasing Cooperative

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

22. INSURANCE POOL

NOACSC Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The NOACSC Workers' Compensation Group Rating Plan (GRP) was established through the Northwest Ohio Area Computer Services Cooperative (NOACSC) as an insurance purchasing pool. The Safety Coordinator of NOACSC or his designee serves as coordinator of the GRP. Each year, the participating members pay an enrollment fee to the GRP to cover the costs of administering the program.

23. STATE SCHOOL FUNDING DECISION

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002
(Continued)**

24. CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. Litigation

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR FISCAL YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Distribution Program		10.550		\$148,602		\$156,086
National School Breakfast Program	044982-05PU-2002	10.553	\$17,374		\$17,374	
National School Lunch Program	044982-04PU-2002	10.555	206,707		206,707	
Total U.S. Department of Agriculture - Nutrition Cluster			224,081	148,602	224,081	156,086
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Part A, IASA	044982-C1S1-2002	84.010	187,871		188,817	
Title I, Part A, IASA	044982-C1S1-2001		8,196		51,925	
Total Title I, Part A, IASA			196,067		240,742	
Title VI-B, Special Education Grants to States	044982-6BSF-2002-P	84.027	182,981		231,690	
Title VI-B, Special Education Grants to States	044982-6BSF-2001-P		46,079		31,882	
Total Title VI-B			229,060		263,572	
Title VI, Innovative Education Program Strategies	044982-C2S1-2002	84.298	5,195		15,122	
Title VI, Innovative Education Program Strategies	044982-C2S1-2001		5,489		11,295	
Total Title VI			10,684		26,417	
Dwight D. Eisenhower Mathematics and Science Grants	044982-MSS1-2002	84.281	16,169		16,377	
Dwight D. Eisenhower Mathematics and Science Grants	044982-MSS1-2001				8,954	
Total Eisenhower Professional Development State Grants			16,169		25,331	
Drug-Free Grants	044982-DRS1-2002	84.186	10,520		12,377	
Drug-Free Grants	044982-DRS1-2001		3,639			
Total Drug-Free Grants			14,159		12,377	
Title VI-R, Reducing Class Size	044982-CRS1-2001	84.340	47,995		74,060	
Title VI-R, Reducing Class Size	044982-CRS1-2001				5,060	
Total Drug-Free Grants			47,995		79,120	
Assistive Technology	044982-ATS1-2002	84.352	7,823		7,823	
Total U.S. Department of Education			521,957		655,382	
U.S. DEPARTMENT OF LABOR						
(Passed through Ohio Department of Education)						
Learn and Serve	044982-SVS5-2002	94.004	30,000		25,798	
Learn and Serve	044982-SVS3-2001				1,238	
Total Learn and Serve Grant			30,000		27,036	
Total U.S. Department of Labor			30,000		27,036	
Total Federal Assistance			\$776,038	\$148,602	\$906,499	\$156,086

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B--FOOD DISTRIBUTION

Nonmonetary 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.

NOTE C--MATCHING REQUIREMENTS

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

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

We have audited the accompanying financial statements of the Wapakoneta City School District (the District), Auglaize County, as of and for the year ended June 30, 2002, and have issued our report thereon dated March 11, 2003, wherein we noted the School District implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*. 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.

Compliance

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 grants, 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 is required to be reported under *Government Auditing Standards* which is described in the accompany schedule of findings as item 2002-10206-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the School District in a separate letter dated March 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the District in a separate letter dated March 11, 2003.

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

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

Betty Montgomery
Auditor of State

March 11, 2003



Auditor of State Betty Montgomery

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

Wapakoneta City School District
Auglaize County
3 North Pine Street
Wapakoneta, Ohio 45895

To the Members of the Board of Education:

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 are applicable to each of its major federal programs for the year ended June 30, 2002. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002.

Internal Control Over Compliance

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

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

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



Betty Montgomery
Auditor of State

March 11, 2003

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster:- CFDA #10.550, 10.553, 10.555 Title 1:- CFDA #84.010
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

Finding Number 2002-10206-001 - Negative Cash Fund Balances

Ohio Rev. Code Section 5705.10, states that money paid into a fund must be used only for the purposes for which such a fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

At June 30, 2002, the Title II, Title I, Title VI, Title IV, Title VI-B and Title VI-R special revenue funds, reported as Other Governmental Funds, had deficit fund balances of \$208, \$946, \$9,927, \$1,857, \$48,709 and \$26,065, respectively. In addition, several negative fund balances existed throughout fiscal year 2002.

Although these are reimbursing grants, fund balances should be monitored to ensure that a sufficient cash balance for expenditures is maintained. If necessary, the District should advance money to cover the shortfall in a fund until the reimbursements are received. The District may refer to Auditor of State Bulletin 97-3 for guidance on the accounting treatment of advances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



**Auditor of State
Betty Montgomery**

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800-282-0370
Facsimile 614-466-4490

WAPAKONETA CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 10, 2003**