



Mary Taylor, CPA
Auditor of State

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, as of June 30, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General fund thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2008, on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

We conducted our audit to opine on the School District's financial statements. The Schedule of Federal Awards Receipts and Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the School District's financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

Mary Taylor, CPA
Auditor of State

February 12, 2008

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED**

The discussion and analysis of Wapakoneta City School District's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2007, within the limitations of cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance.

Using the Basic Financial Statements

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

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

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

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

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

Reporting the School District as a Whole

The statement of net assets and the statement of activities reflect how the School District did financially during fiscal year 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares cash disbursements with program receipts for each function or program of the School District's governmental activities. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

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

Reporting the School District's Most Significant Funds

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

Governmental Funds - All of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year end for spending in future periods. These funds are reported using the cash basis of accounting. The governmental fund financial statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs.

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

The School District as a Whole

Table 1 provides a summary of the School District's net assets for fiscal year 2007 and fiscal year 2006:

Table 1 Governmental Activities Net Assets			
	2007	2006	Change
Assets:			
Cash and Cash Equivalents	\$10,866,930	\$10,679,854	\$187,076
Net Assets:			
Restricted	4,540,828	4,621,240	(80,412)
Unrestricted	6,326,102	6,058,614	267,488
Total Net Assets	\$10,866,930	\$10,679,854	\$187,076

Total net assets did not increase significantly, less than 2 percent.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

Table 2 reflects the change in net assets for fiscal year 2007 and fiscal year 2006.

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

	<u>2007</u>	<u>2006</u>	<u>Change</u>
Receipts:			
Program Receipts			
Charges for Services	\$1,410,033	\$1,233,062	\$176,971
Operating Grants, Contributions, and Interest	2,780,096	2,825,727	(45,631)
Capital Grants and Contributions	41,240	151,993	(110,753)
Total Program Receipts	<u>4,231,369</u>	<u>4,210,782</u>	<u>20,587</u>
General Receipts			
Property Taxes Levied for General Purposes	5,848,284	5,705,664	142,620
Property Taxes Levied for Debt Service	643,856	780,358	(136,502)
Property Taxes Levied for Permanent Improvements	182,852	184,804	(1,952)
Income Taxes Levied for General Purposes	1,812,244	1,719,955	92,289
Income Taxes Levied for Permanent Improvements	892,598	847,142	45,456
Payment in Lieu of Taxes	120,000	15,000	105,000
Grants and Entitlements	12,417,785	12,301,592	116,193
Interest	553,130	408,173	144,957
Miscellaneous	93,042	60,819	32,223
Total General Receipts	<u>22,563,791</u>	<u>22,023,507</u>	<u>540,284</u>
Total Receipts	<u>26,795,160</u>	<u>26,234,289</u>	<u>560,871</u>
Disbursements:			
Instruction:			
Regular	12,701,075	12,139,578	(561,497)
Special	1,969,186	1,767,833	(201,353)
Vocational	481,020	423,160	(57,860)
Support Services:			
Pupils	1,151,944	1,071,160	(80,784)
Instructional Staff	1,131,528	1,129,989	(1,539)
Board of Education	19,657	15,937	(3,720)
Administration	1,707,087	1,729,149	22,062
Fiscal	509,984	514,791	4,807
Business	7,711		(7,711)
Operation and Maintenance of Plant	2,277,193	2,490,083	212,890
Pupil Transportation	1,519,090	1,150,703	(368,387)
Central	44,756	58,898	14,142
Non-instructional Services	1,322,605	1,181,343	(141,262)
Extracurricular Activities	580,136	512,398	(67,738)
Capital Outlay	420,385	222,142	(198,243)
Debt Service:			
Principal Retirement	635,821	639,640	3,819
Interest and Fiscal Charges	128,906	180,469	51,563
Total Disbursements	<u>26,608,084</u>	<u>25,227,273</u>	<u>(1,380,811)</u>
Increase in Net Assets	187,076	1,007,016	(819,940)
Net Assets at Beginning of Year	10,679,854	9,672,838	1,007,016
Net Assets at End of Year	<u>\$10,866,930</u>	<u>\$10,679,854</u>	<u>\$187,076</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

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

General receipts represent 84 percent of the School District's total receipts, and of this amount, 55 percent is the result of unrestricted grants and entitlements, which primarily represents State foundation resources. Property and income taxes basically make up the balance of the School District's general receipts (42 percent). Other receipts, such as interest, is very insignificant and a somewhat unpredictable revenue source.

The major program disbursements for governmental activities are for instruction, which accounts for 57 percent of all governmental disbursements. Other programs which support the instruction process including pupils, instructional staff, and pupil transportation account for approximately 14 percent of governmental disbursements. Maintenance of the School District's facilities also represents a significant expense, 9 percent. Therefore, approximately 80 percent of the School District's disbursements are related to the primary functions of providing facilities and delivering education.

Table 3 indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax receipts and unrestricted state entitlements.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction:				
Regular	\$12,701,075	\$12,139,578	\$12,116,354	\$11,615,528
Special	1,969,186	1,767,833	82,093	(117,879)
Vocational	481,020	423,160	388,547	304,730
Support Services:				
Pupils	\$1,151,944	\$1,071,160	\$1,141,517	\$1,058,792
Instructional Staff	1,131,528	1,129,989	1,131,528	1,129,989
Board of Education	19,657	15,937	19,657	15,937
Administration	1,707,087	1,729,149	1,707,087	1,729,149
Fiscal	509,984	514,791	506,984	511,291
Business	7,711		7,711	
Operation and Maintenance	2,277,193	2,490,083	2,277,193	2,489,883
Pupil Transportation	1,519,090	1,150,703	1,413,822	1,063,016
Central	44,756	58,898	29,756	43,898
Non-instructional Services	1,322,605	1,181,343	56,514	(23,451)
Extracurricular Activities	580,136	512,398	312,840	153,357
Capital Outlay	420,385	222,142	420,385	222,142
Debt Service:				
Principal Retirement	635,821	639,640	635,821	639,640
Interest and Fiscal Charges	128,906	180,469	128,906	180,469
Total Disbursements	\$26,608,084	\$25,227,273	\$22,376,715	\$21,016,491

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The dependence upon tax receipts and unrestricted state entitlements is apparent as 83 percent of instruction activities are supported through taxes and other general receipts. However, it should be noted that special instruction activities continued to be largely provided for through program receipts, by almost 96 percent. This is the result of operating grants and contributions restricted for special instruction purposes. Non-instructional services disbursements (primarily food services) were not fully covered by program receipts for fiscal year 2007. The primary program revenues are cafeteria sales, and state and federal subsidies and donated commodities for food service. Also included within non-instructional services are disbursements for parochial schools which spent the cash carryover from fiscal year 2006 and all of their annual allocation from the State for fiscal year 2007. Program receipts for extracurricular activities disbursements decreased to 46 percent in fiscal year 2007 from 70 percent in fiscal year 2006. Extracurricular activities receipts includes music and athletic fees, ticket sales, and gate receipts. The decrease of program receipts resulted from less donations for capital equipment.

The School District's Funds

The School District's governmental funds are accounted for using the cash basis of accounting. The General Fund saw small increases in almost all major revenue sources, such as property taxes, income taxes, unrestricted state entitlements, and interest. Disbursements increased in line with receipts during fiscal year 2007. Due to the large carryover cash balance in the Bond Retirement debt service fund, the levy generating property tax receipts was reduced in fiscal year 2007.

The property tax and income tax receipts in the Permanent Improvement capital projects fund were sufficient to cover all maintenance and capital disbursements.

General Fund Budgeting Highlights

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

During fiscal year 2007, the School District amended its General Fund budget as needed. The final budget for estimated receipts was slightly higher than the original estimate. The final budget for estimated disbursements was lower than original estimates; however, the change was not significant. Changes from the final budget to actual receipts and disbursements were also not significant.

Debt Administration

At June 30, 2007, the School District's outstanding debt included the 1987 High School general obligation bonds and asbestos removal loans, in the amount of \$1,250,000 and \$5,410, respectively. For further information regarding the School District's debt, refer to Note 15 to the basic financial statements.

Current Issues

Wapakoneta City School District is the 28th school district on the current Ohio School Facilities Commission list for eligibility for State construction funding. The School District has retained the services of RBC Capital Markets in connection with proposed school improvement bonds.

In June 2007, the Board of Education adopted a Master Plan and voted to participate with the Ohio School Facilities Commission to renovate the existing middle school and high school buildings and to construct two new elementary buildings. The School District will eliminate the use of one elementary building.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
UNAUDITED
(Continued)**

The School District will be awarded 63 percent, or \$32,359,021, of the approved project costs from the Ohio School Facilities Commission upon passage of a 5.8 mill bond issue. The voters passed the bond issue on November 6, 2007. The 5.8 mill bond issue will generate the necessary 37 percent match of \$19,004,504 plus an additional \$15,843,728 to fund the locally funded initiatives that are part of the total project costs. The bond issue will be for twenty-eight years.

The 1.9 mill bond issue that had been passed in 1987 generated sufficient revenue to cover the remaining outstanding related debt and will no longer be collected as of the October 2007 tangible personal property tax settlement.

The School District will not renew the 1 mill permanent improvement tax levy when it comes due in July 2008. With the growth in receipts generated from the .25 percent income tax levy for permanent improvements, there is no longer a continuing need for the property tax millage.

On December 20, 2007 and January 22, 2008, the School District issued bond anticipation notes with an interest rate of 3.5 percent, in the amount of \$15,000,000 and \$12,500,000, respectively. The notes mature on June 26, 2008.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Susan Rinehart, Treasurer, Wapakoneta City School District, 1102 Gardenia Drive, Wapakoneta, Ohio 45895.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2007**

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$10,866,930</u>
Net Assets:	
Restricted for:	
Capital Projects	3,194,346
Debt Service	1,116,640
Other Purposes	212,618
School Bus Purchase	17,224
Unrestricted	<u>6,326,102</u>
Total Net Assets	<u><u>\$10,866,930</u></u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Program Cash Receipts</u>			Net (Disbursement) Receipt and Change in Net Assets	
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Interest</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
Current:					
Instruction:					
Regular	\$12,701,075	\$374,265	\$210,456		(\$12,116,354)
Special	1,969,186	2,533	1,884,560		(82,093)
Vocational	481,020		92,473		(388,547)
Support Services:					
Pupils	1,151,944		10,427		(1,141,517)
Instructional Staff	1,131,528				(1,131,528)
Board of Education	19,657				(19,657)
Administration	1,707,087				(1,707,087)
Fiscal	509,984	3,000			(506,984)
Business	7,711				(7,711)
Operation and Maintenance of Plant	2,277,193				(2,277,193)
Pupil Transportation	1,519,090	8,900	72,628	\$23,740	(1,413,822)
Central	44,756		15,000		(29,756)
Non-Instructional Services	1,322,605	770,226	484,365	11,500	(56,514)
Extracurricular Activities	580,136	251,109	10,187	6,000	(312,840)
Capital Outlay	420,385				(420,385)
Debt Service:					
Principal Retirement	635,821				(635,821)
Interest and Fiscal Charges	128,906				(128,906)
Total Governmental Activities	<u>\$26,608,084</u>	<u>\$1,410,033</u>	<u>\$2,780,096</u>	<u>\$41,240</u>	<u>(22,376,715)</u>
General Receipts:					
Property Taxes Levied for:					
					5,848,284
					643,856
					182,852
Income Taxes Levied for:					
					1,812,244
					892,598
					120,000
					12,417,785
					553,130
					93,042
					<u>22,563,791</u>
					187,076
					<u>10,679,854</u>
					<u>\$10,866,930</u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in Pooled Cash and Cash Equivalents	\$6,326,102	\$1,116,640	\$3,184,373	\$211,664	\$10,838,779
Restricted Assets					
Equity in Pooled Cash and Cash Equivalents	18,178				18,178
Cash and Cash Equivalents with Escrow Agent			9,973		9,973
Total Assets	<u>6,344,280</u>	<u>1,116,640</u>	<u>3,194,346</u>	<u>211,664</u>	<u>10,866,930</u>
Fund Balances:					
Reserved for Encumbrances	29,738		330,000	6,520	366,258
Reserved for Bus Purchases	17,224				17,224
Reserved for Unclaimed Monies	954				954
Unreserved, Reported in:					
General Fund	6,296,364				6,296,364
Special Revenue Funds				205,144	205,144
Debt Service Fund		1,116,640			1,116,640
Capital Projects Fund			2,864,346		2,864,346
Total Fund Balances	<u>6,344,280</u>	<u>1,116,640</u>	<u>3,194,346</u>	<u>211,664</u>	<u>10,866,930</u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH BASIS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>General</u>	<u>Bond Retirement</u>	<u>Permanent Improvement</u>	<u>Other Governmental</u>	<u>Total Governmental Funds</u>
Receipts:					
Property Taxes	\$5,848,284	\$643,856	\$182,852		\$6,674,992
Income Taxes	1,812,244		892,598		2,704,842
Payment in Lieu of Taxes	120,000				120,000
Intergovernmental	13,393,067	65,484	27,183	\$1,724,429	15,210,163
Interest	544,279		8,851	1,271	554,401
Tuition and Fees	385,698				385,698
Extracurricular Activities				251,109	251,109
Charges for Services	3,000			770,226	773,226
Gifts and Donations			17,500	10,187	27,687
Miscellaneous	54,941			38,101	93,042
Total Receipts	<u>22,161,513</u>	<u>709,340</u>	<u>1,128,984</u>	<u>2,795,323</u>	<u>26,795,160</u>
Disbursements:					
Current:					
Instruction:					
Regular	12,188,886		41,278	470,911	12,701,075
Special	1,540,225			428,961	1,969,186
Vocational	480,222			798	481,020
Support Services:					
Pupils	905,988		5,150	240,806	1,151,944
Instructional Staff	1,059,200		42,330	29,998	1,131,528
Board of Education	19,657				19,657
Administration	1,621,391			85,696	1,707,087
Fiscal	477,225	14,415	18,344		509,984
Business	7,711				7,711
Operation and Maintenance of Plant	2,000,870		276,323		2,277,193
Pupil Transportation	1,212,994		306,096		1,519,090
Central	19,329			25,427	44,756
Non-Instructional Services	527			1,322,078	1,322,605
Extracurricular Activities	351,594			228,542	580,136
Capital Outlay			420,385		420,385
Debt Service:					
Principal Retirement		635,821			635,821
Interest and Fiscal Charges		128,906			128,906
Total Disbursements	<u>21,885,819</u>	<u>779,142</u>	<u>1,109,906</u>	<u>2,833,217</u>	<u>26,608,084</u>
Excess of Receipts Over (Under) Disbursements	275,694	(69,802)	19,078	(37,894)	187,076
Other Financing Sources (Uses):					
Advances In				7,252	7,252
Advances Out	(7,252)				(7,252)
Total Other Financing Sources (Uses)	<u>(7,252)</u>			<u>7,252</u>	
Changes in Fund Balances	268,442	(69,802)	19,078	(30,642)	187,076
Fund Balances at Beginning of Year	<u>6,075,838</u>	<u>1,186,442</u>	<u>3,175,268</u>	<u>242,306</u>	<u>10,679,854</u>
Fund Balances at End of Year	<u>\$6,344,280</u>	<u>\$1,116,640</u>	<u>\$3,194,346</u>	<u>\$211,664</u>	<u>\$10,866,930</u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Property Taxes	\$5,722,653	\$5,842,875	\$5,848,284	\$5,409
Income Taxes	1,771,500	1,812,244	1,812,244	
Payment in Lieu of Taxes	121,000	120,000	120,000	
Intergovernmental	13,449,380	13,393,067	13,393,067	
Interest	402,000	516,430	516,430	
Tuition and Fees	382,582	385,698	385,698	
Charges for Services	3,000	3,000	3,000	
Miscellaneous	292,736	281,405	289,441	8,036
Total Receipts	<u>22,144,851</u>	<u>22,354,719</u>	<u>22,368,164</u>	<u>13,445</u>
Disbursements:				
Current:				
Instruction:				
Regular	10,711,537	10,526,848	10,501,762	25,086
Special	1,635,710	1,540,996	1,540,225	771
Vocational	482,737	485,474	480,222	5,252
Other	1,721,275	1,704,803	1,695,487	9,316
Support Services:				
Pupils	1,050,642	931,089	909,269	21,820
Instructional Staff	1,095,252	1,124,640	1,066,970	57,670
Board of Education	22,587	19,875	19,657	218
Administration	1,706,695	1,625,408	1,621,391	4,017
Fiscal	519,033	481,241	477,225	4,016
Business	12,000	12,000	8,911	3,089
Operation and Maintenance of Plant	2,309,174	2,184,620	2,009,994	174,626
Pupil Transportation	1,302,973	1,256,287	1,212,994	43,293
Central	37,000	22,450	19,329	3,121
Non-Instructional Services	5,300	1,954	527	1,427
Extracurricular Activities	390,578	351,594	351,594	
Capital Outlay	50,000			
Total Disbursements	<u>23,052,493</u>	<u>22,269,279</u>	<u>21,915,557</u>	<u>353,722</u>
Excess of Receipts Over (Under) Disbursements	(907,642)	85,440	452,607	367,167
Other Financing Uses:				
Advances Out		(7,252)	(7,252)	
Changes in Fund Balance	(907,642)	78,188	445,355	367,167
Fund Balance at Beginning of Year	5,241,875	5,241,875	5,241,875	
Prior Year Encumbrances Appropriated	111,152	111,152	111,152	
Fund Balance at End of Year	<u>\$4,445,385</u>	<u>\$5,431,215</u>	<u>\$5,798,382</u>	<u>\$367,167</u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2007**

	<u>Agency</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$103,793</u>
Net Assets:	
Undistributed Assets	13,770
Due to Students	<u>90,023</u>
Total Net Assets	<u>\$103,793</u>

See accompanying notes to basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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-forty-six square miles. It is located in Auglaize County. The School District is the 145th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred sixteen classified employees, one hundred eighty certified teaching personnel, and twelve administrative employees who provide services to three thousand forty-three students and other community members. The School District currently operates three elementary schools, a middle school, a high school, an administration building, and an operations building.

A. Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes.

The School District does not have any component units.

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

The School District participates in six jointly governed organizations and an insurance pool. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, West Central Regional Professional Development Center, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, West Central Ohio Special Education Regional Resource Center (SERRC), and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 17 and 18 to the basic financial statements.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-Wide Financial Statements

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

The statement of net assets presents the cash balance of the governmental activities of the School District at fiscal year end. The statement of activities compares disbursements with program receipts for each function or program of the School District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the School District is responsible.

Program receipts include charges paid by the recipient of the program's goods or services and grants, contributions, and interest restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the School District's general receipts.

2. Fund Financial Statements

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

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

1. Governmental Funds

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

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

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

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

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

2. Fiduciary Funds

The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are not available to support the School District's own programs. The School District did not have any trust funds in fiscal year 2007. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for faculty monies and student-managed activities.

C. Basis of Accounting

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget indicates the projected receipts and disbursements for those funds receiving tax monies. The certificate of estimated resources establishes a limit on the amount the Board of Education may appropriate. The appropriations resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by the Board. The legal level of control has been established by the Board at the fund level for all funds. Budgetary allocations at the function and object level within all funds are made by the Treasurer.

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

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents". Cash and cash equivalents that are held separately by an escrow agent for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

During fiscal year 2007, investments included nonnegotiable certificates of deposit, federal agency securities, and STAR Ohio. Nonnegotiable certificates of deposit are reported at cost. Federal agency securities are reported at cost. STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2007.

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 2007 was \$544,279, which included \$219,762 assigned from other School District funds.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund include unexpended revenues restricted for bus purchases and unclaimed monies. Cash and cash equivalents that are held separately by an escrow agent for payment of retainage to contractors upon project completion are recorded as "Cash and Cash Equivalents with Escrow Agent".

G. Capital Assets

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

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for food service operations, music and athletic programs, and federal and state grants restricted to expenditure for specified purposes. The School District did not have any net assets restricted by enabling legislation at June 30, 2007. 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Reserves

The School District reserves those portions of fund balance which are legally segregated for a specific future use and not available for appropriation or disbursement. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances, bus purchases, and unclaimed monies.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 12 and 13, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Interfund Activity

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

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

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

3. ACCOUNTABILITY AND COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances on the basis of cash, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Change in Fund Balance - Budget and Actual – Budget Basis, for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the cash basis are as follows:

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

4. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

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

Changes in Fund Balance	
Cash Basis	\$6,344,280
Increase (Decrease) Due To:	
Non budgeted Cash Activity	(516,160)
Encumbrances Outstanding at Fiscal Year End (Budget Basis)	(29,738)
Budget Basis	\$5,798,382

5. DEPOSITS AND INVESTMENTS

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

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

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

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

Interim monies held by the School District may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and

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.

Deposits - Custodial credit risk for deposits is the risk that in the event of bank failure, the School District will not be able to recover deposits or collateral securities that are in the possession of an outside party.

At fiscal year end, the carrying amount of deposits was \$1,004,217 and the bank balance was \$1,651,296, of which \$30,161 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

Investments - As of June 30, 2007, the School District had the following investments.

	<u>Total</u>	<u>Less Than Six Months</u>	<u>Six Months to One Year</u>	<u>One Year to Two Years</u>	<u>More Than Two Years</u>
Federal Home Loan Bank Bonds	\$4,089,260	\$ 998,840	\$299,520	\$1,640,900	\$1,150,000
Federal Home Loan Bank Notes	1,430,000			200,000	1,230,000
Federal Home Loan Mortgage Corporation Notes	247,625				247,625
Federal National Mortgage Association Notes	1,749,000	250,000		499,000	1,000,000
Negotiable Certificates of Deposit	1,974,000	811,000	472,000	493,000	198,000
STAR Ohio	476,621	476,621			
Total	<u>\$9,966,506</u>	<u>\$2,536,461</u>	<u>\$771,520</u>	<u>\$2,832,900</u>	<u>\$3,825,625</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

5. DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The investment policy restricts the Treasurer from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the School District.

The Federal Home Loan Bank Bonds, Federal Home Loan Bank Notes, Federal Home Loan Mortgage Corporation Notes, and Federal National Mortgage Association Notes carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAA by Standard and Poor's. The School District has no policy regarding credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The School District places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of each investment to the School District's total portfolio.

	<u>Fair Value</u>	<u>Percentage Of Portfolio</u>
Federal Home Loan Bank Bonds	\$4,089,260	41.03%
Federal Home Loan Bank Notes	1,430,000	14.35
Federal Home Loan Mortgage Corporation Bonds	247,625	2.49
Federal National Mortgage Association Bonds	1,749,000	17.55

6. PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in calendar year 2007 represent the collection of calendar year 2006 taxes. Public utility real and tangible personal property taxes received in calendar year 2007 became a lien on December 31, 2005, were levied after April 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

6. PROPERTY TAXES (Continued)

Tangible personal property tax revenues received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. In prior years, tangible personal property was assessed at 25 percent of true value for capital assets and 23 percent for inventory. The tangible personal property tax is being phased out. The assessment percentage for all property, including inventory, for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

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, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

The assessed values upon which fiscal year 2007 taxes were collected are:

	2006 Second- Half Collections		2007 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$229,543,210	73.45%	\$232,831,620	75.14%
Industrial/Commercial	50,379,560	16.12	51,434,200	16.60
Public Utility	11,574,790	3.70	10,636,210	3.43
Tangible Personal	21,032,524	6.73	14,961,967	4.83
Total Assessed Value	<u>\$312,530,084</u>	<u>100.00%</u>	<u>\$309,863,997</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$29.00		\$28.40	

7. INCOME TAXES

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

8. PAYMENT IN LIEU OF TAXES

According to State law, the School District has entered into agreements with a number of property owners under which the School District has granted property tax abatements to those property owners. The property owners have agreed to make payments to the School District which reflect all or a portion of the property taxes which the property owners would have paid if their taxes had not been abated. The property owner's contractual promise to make these payments in lieu of taxes generally continue until the agreement expires. Payments in lieu of taxes for fiscal year 2007 were \$120,000.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

9. INTERFUND BALANCES

At June 30, 2007, the General Fund had an unpaid interfund cash advance, in the amount of \$7,252, to other governmental funds to provide cash flow resources until the receipt of grant monies.

10. 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 2007, the School District contracted for the following insurance coverage:

Coverage provided by Netherlands Insurance Company	
Building and Contents	\$62,000,000
General Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Employee Benefits Liability	
Each Employee	1,000,000
Aggregate	3,000,000
Employers Stop Gap Liability	
Per Occurrence	1,000,000
Aggregate	2,000,000
Automobile Liability	1,000,000
Coverage provided by Midwestern Indemnity Company	
Commercial Umbrella	\$ 5,000,000

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

For fiscal year 2007, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Gates McDonald and Co. provides administrative, cost control, and actuarial services to the Plan.

11. CONTRACTUAL OBLIGATIONS

As of June 30, 2007, the School District had an outstanding contractual commitment, in the amount of \$104,492, for the construction of restrooms and a storage area.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service or on an allowance based on member contributions and earned interest matched by STRS funds multiplied by an actuarially determined annuity factor. The DCP allows members to place all of their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age fifty and termination of employment.

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

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations for the DBP for the fiscal years ended June 30, 2007, 2006, and 2005 was \$1,384,999, \$1,328,405, and \$1,257,849, respectively; 83 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions for the DCP and CP for the fiscal year ended June 30, 2007, were \$15,140 made by the School District and \$25,482 made by plan members.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

12. DEFINED BENEFIT PENSION PLANS (Continued)

B. School Employees Retirement System

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

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary and the School District was required to contribute an actuarially determined rate. The rate for fiscal year 2007 was 14 percent of annual covered payroll; 10.68 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 was \$313,504, \$298,061, and \$284,312, respectively; 45 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005.

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, 2007, four of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

13. POST-EMPLOYMENT BENEFITS

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

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount was \$107,703.

STRS pays health care benefits from the Health Care Stabilization Fund. The balance in the Fund was \$4.1 billion at June 30, 2007. For the fiscal year ended June 30, 2007, net health care costs paid by STRS were \$265,558,000, and STRS had 122,934 eligible benefit recipients.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

13. POST-EMPLOYMENT BENEFITS (Continued)

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

For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 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 2007, the minimum pay was established at \$35,800. However, the surcharge amount is capped at 2 percent of the School District's salaries. For the School District, the amount to fund health care benefits, including the surcharge, was \$141,723 for fiscal year 2007.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2006 (the latest available information), were \$158,751,207. At June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million. SERS has 59,492 participants currently receiving health care benefits.

14. OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of two hundred fifty days for certified employees and up to a maximum of two hundred thirty days for classified employees.

Upon retirement, for certified employees, payment is made for 22 percent of accrued but unused sick leave, and for classified employees, payment is made for 25 percent of their accrued but unused sick leave, up to a maximum of fifty-seven and one-half days.

B. Employee Insurance Benefits

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

14. OTHER EMPLOYEE BENEFITS (Continued)

C. Separation Benefits

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

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2007 were as follows:

	<u>Interest Rate</u>	<u>Balance at 6/30/06</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/07</u>	<u>Due Within One Year</u>
General Long-Term Obligations						
1987 High School General Obligation Bonds	8.25%	\$1,875,000	\$0	\$625,000	\$1,250,000	\$625,000
1990 Asbestos Removal Loan	0.00	16,231	0	10,821	5,410	5,410
Total General Long-Term Obligations		<u>\$1,891,231</u>	<u>\$0</u>	<u>\$635,821</u>	<u>\$1,255,410</u>	<u>\$630,410</u>

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

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

The School District's overall debt margin was \$24,347,454 with an unvoted debt margin of \$284,416 at June 30, 2007.

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

<u>Fiscal Year Ending June 30,</u>	<u>General Obligation Bonds</u>			<u>Asbestos Removal Loans</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 625,000	\$ 77,344	\$ 702,344	\$5,410
2009	625,000	25,781	650,781	
	<u>\$1,250,000</u>	<u>\$103,125</u>	<u>\$1,353,125</u>	<u>\$5,410</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

16. SET ASIDE REQUIREMENTS

The School District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the purchase of textbooks and other instructional materials, and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the fiscal year must be held in cash at fiscal year end. These amounts must be carried forward and used for the same purposes in future years. The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2007.

	Textbooks	Capital Improvements
Balance June 30, 2006	(\$3,782,801)	
Current Year Set Aside Requirement	457,000	\$457,000
Qualifying Expenditures	(824,697)	
Current Year Offsets		(457,000)
Amount Carried Forward to Fiscal Year 2007	(\$4,150,498)	\$ 0

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

17. JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative (NOACSC)

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2007 the School District paid \$31,195 to NOACSC for various services. Financial information can be obtained from the Northwest Ohio Area Computer Services Cooperative, 645 South Main Street, Lima, Ohio 45804.

B. Apollo Joint Vocational School

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. West Central Regional Professional Development Center

The West Central Regional Professional Development Center (Center) is a jointly governed organization among the school districts in Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, and Van Wert Counties. The organization was formed to establish an articulated regional structure for professional development in which school districts, the business community, higher education, and other groups cooperatively plan and implement effective professional development activities that are tied directly to school improvement, and in particular, to improvements in instructional programs. The Center is governed by a fifty-two member board made up of representatives from the participating school districts, the business community, and two institutions of higher learning. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Allen County Educational Service Center, 1920 Slabtown Road, Lima, Ohio 45801.

D. Northwestern Ohio Educational Research Council, Inc.

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

E. Southwestern Ohio Educational Purchasing Cooperative

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

F. West Central Ohio Special Education Regional Resource Center

The West Central Ohio Special Education Regional Resource Center (SERRC) is a jointly governed organization formed to initiate, expand, and improve special education programs and services for children with disabilities and their parents. The SERRC is governed by a fifty-two member board consisting of the superintendent from the fifty participating school districts, one representative from a non-public school, and one representative from Wright State University. The degree of control exercised by any participating school district is limited to its representation on the Board. Financial information can be obtained from the Auglaize County Educational Service Center, 1045 Dearbaugh Avenue, Suite 2, Wapakoneta, Ohio 45895.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(Continued)**

18. INSURANCE POOL

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

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

19. CONTINGENCIES

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2007.

20. SUBSEQUENT EVENTS

On December 20, 2007 and January 22, 2008, the School District issued bond anticipation notes, in the amount of \$15,000,000 and \$12,500,000, respectively, with an interest rate of 3.5 percent. The notes mature on June 26, 2008.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR YEAR ENDED JUNE 30, 2007**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
(Passed through Ohio Department of Education)						
Food Donation Program	N/A	10.550		\$122,489		\$122,489
Nutrition Cluster:						
School Breakfast Program	044982-05PU-2006	10.553	\$9,349		\$9,349	
	044982-05PU-2007		24,009		24,009	
Sub-total School Breakfast Program			33,358		33,358	
National School Lunch Program	044982-LLP4-2006	10.555	90,549		90,549	
	044982-LLP4-2007		256,517		256,517	
	044982-LLP1-2007		739		739	
Sub-total National School Lunch			347,805		347,805	
Total Nutrition Cluster			381,163		381,163	
Total U.S. Department of Agriculture			381,163	122,489	381,163	122,489
U.S. DEPARTMENT OF EDUCATION						
(Passed through Ohio Department of Education)						
Title I, Grants to Local Educational Agencies	044982-C1S1-2007	84.010	336,288		336,288	
Education Technology State Grants	044982-TJS1-2007	84.318	3,499		3,499	
Title VI-B, Special Education Grants to States	044982-6BSF-2006	84.027	(15,141)			
	044982-6BSF-2007		722,448		722,448	
Total Special Education Grants			707,307		722,448	
State Grants for Innovative Programs	044982-C2S1-2007	84.298	4,350		4,350	
Safe and Drug-Free Schools and Communities	044982-DRS1-2007	84.186	10,288		10,288	
Improving Teacher Quality State Grants	044982-TRS1-2006	84.367	(699)			
	044982-TRS1-2007		128,107		128,107	
Total Improving Teacher Quality			127,408		128,107	
Hurricane Education Recovery Act	044982-HR01-2006	84.938	6,000		6,000	
Total U.S. Department of Education			1,195,140		1,210,980	
Total Federal Assistance			\$1,576,303	\$122,489	\$1,592,143	\$122,489

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
JUNE 30, 2007**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DONATION PROGRAM

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

NOTE C - NUTRITION CLUSTER

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

NOTE D - MATCHING REQUIREMENTS

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

NOTE E - TRANSFER OF FUNDS BETWEEN COST CENTERS

The following transfers between grant years were approved by the Ohio Department of Education. The School District accounting records distinguish between different grant years by using a different cost centers. The approved transfers allow unspent grant monies to be carried forward into the next grant period.

Grant and CFDA # / Fund, Cost Center	Transfer out	Transfer in
Special Education Grants to States CFDA# 84.027		
516-2006	(\$15,141)	
516-2007		\$15,141
Improving Teacher Quality State Grants CFDA# 84.367		
590-2006	(\$ 699)	
590-2007		\$ 699



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wapakoneta City School District, Auglaize County, (the School District), as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements and have issued our report thereon dated February 12, 2008, wherein, we noted the School District uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School District's internal control over financial reporting.

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

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

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402

Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688

www.auditor.state.oh.us

Compliance and Other Matters

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

We also noted certain noncompliance and other matters not requiring inclusion in this report that we reported to the School District's management in a separate letter date February 12, 2008

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

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



Mary Taylor, CPA
Auditor of State

February 12, 2008



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of Wapakoneta City School District, Auglaize County, (the School District), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal programs for the year ended June 30, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the School District's major federal programs. The School District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, Wapakoneta City School District, Auglaize County, complied, in all material respects, with the requirements referred to above that apply to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The School District's management is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

**Internal Control Over Compliance
(Continued)**

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

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

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

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



Mary Taylor, CPA
Auditor of State

February 12, 2008

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2007**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education – Grants to States – CFDA #84.027 National School Lunch Cluster – CFDA#10.553 and 10.555
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

FINDING NUMBER 2007-001

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

Ohio Admin Code Section 117-2-03(B) requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles.

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

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

Officials' Response:

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

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2006-001	Ohio Rev. Code Section 117.38; Ohio Admin. Code Section 117-2-03 (B) Report should be filed in accordance with generally accepted accounting principles.	No	Repeated as 2007-001 Report filed Cash OCBOA/GASB 34



Mary Taylor, CPA
Auditor of State

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2008