
Wapakoneta City School District
Auglaize County, Ohio

Basic Financial Statements – Cash Basis

June 30, 2011

(with Independent Auditors' Report)



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the Wapakoneta City School District, Auglaize County, prepared by Clark, Schaefer, Hackett & Co., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

April 6, 2012

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TABLE OF CONTENTS

Independent Auditors' Report	1-2
<u>Basic Financial Statements:</u>	
Management's Discussion and Analysis	3-9
Statement of Net Assets – Cash Basis	10
Statement of Activities – Cash Basis	11
Statement of Cash Basis Assets and Fund Balances – Governmental Funds	12
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances – Governmental Funds	13
Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Balance Budget (Non-GAAP) and Actual – Budgetary Basis – General Fund	14
Statement of Cash Basis Fiduciary Net Assets – Fiduciary Funds	15
Notes to the Basic Financial Statements	16-38
Schedule of Expenditures of Federal Awards	39
Notes to the Schedule of Expenditures of Federal Awards	40
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	41-42
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	43-44
Schedule of Findings and Questioned Costs	45-48
Schedule of Prior Audit Findings	49
Independent Accountants' Report on Applying Agreed-Upon Procedures	50

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2011, and the respective changes in cash basis financial position, and the respective budgetary comparison for the General Fund for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 3, during the year ended June 30, 2011, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund balance Reporting and Governmental Fund Type Definitions*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Clark, Schaefer, Huchett & Co.

Springfield, Ohio
January 31, 2012

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The discussion and analysis of the Wapakoneta City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key Financial Highlights for 2011 are as follows:

- General receipts accounted for \$25,105,528 or 81 percent of all receipts. Program specific receipts in the form of charges for services and sales, operating grants, contributions and interest, and capital grants contributions and interest accounted for \$6,024,297 or 19 percent of total receipts of \$31,129,825.
- Total program expenses were \$47,844,906 in Governmental Activities.
- In total, net assets of Governmental Activities decreased \$16,715,081.

Using this Annual Report

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

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Wapakoneta City School District, the general, permanent improvement, building and Ohio school facilities funds are by far the most significant funds.

Basis of Accounting

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

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

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question.

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

In the Statement of Net Assets and the Statement of Activities, the School District activities are listed as Governmental:

- Governmental Activities – All of the School District's programs and services are reported here, including instruction, support services, operation and maintenance of plant, pupil transportation, food service operations and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the General Fund, Permanent Improvement Fund, Building Fund and the Ohio School Facilities Fund.

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

Fiduciary Funds - The School District acts in a trustee capacity as an agent for student organizations. These activities are reported in agency funds. The School District's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 15. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The School District as a Whole

Recall that the Statement of Net Assets provides the perspective of the School District as a whole.

Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

(Table 1)
Net Assets - Cash basis

	Governmental Activities	
	2011	2010
Assets		
Equity in pooled cash and investments	\$ 8,816,982	\$ 25,532,063
Total Assets	<u>\$ 8,816,982</u>	<u>\$ 25,532,063</u>
Net Assets		
Restricted for:		
Debt Service	\$ 341,673	\$ 233,402
Capital Outlay	3,434,039	19,265,607
Other Purposes	1,223,758	975,773
Unrestricted	<u>3,817,512</u>	<u>5,057,281</u>
Total Net Assets	<u>\$ 8,816,982</u>	<u>\$ 25,532,063</u>

Total assets decreased \$16,715,081; the net assets restricted for capital outlay decreased by \$15,831,568. Both decreases were primarily due to the construction of the new school building. A significant portion of the proceeds for the project were received in the prior fiscal year. During fiscal year 2011, the School District continued capital outlay expenditures using the proceeds that were received in the prior year.

These statements were prepared on the cash basis of accounting utilizing GASB 34 format. Table 2 shows the changes in net assets for fiscal years 2011 and 2010, comparatively. This comparison enables the reader to draw further conclusion about the School District's financial status and possibly project future problems.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2011	2010
Receipts		
<i>Program Receipts:</i>		
Charges for Services	\$ 1,412,599	\$ 1,408,844
Operating Grants, Contributions and Interest	4,160,735	3,385,440
Capital Grants, Contributions and Interest	450,963	0
<i>General Receipts:</i>		
Property Taxes	7,479,755	7,493,403
Income Taxes	2,612,288	2,476,374
Grants and Entitlements	13,556,720	23,558,883
Proceeds from Notes Issued	1,210,000	1,625,000
Other	246,765	1,342,278
<i>Total Receipts</i>	<u>31,129,825</u>	<u>41,290,222</u>
Disbursements		
<i>Program Disbursements</i>		
Instruction	16,985,696	16,785,298
Support Services	9,649,578	8,516,017
Operation of Food Services	1,113,505	1,159,440
Extracurricular Activities	658,893	611,196
Capital Outlay	16,438,393	33,686,294
Debt Service	2,998,841	3,373,057
<i>Total Disbursements</i>	<u>47,844,906</u>	<u>64,131,302</u>
Decrease in Net Assets	<u>\$ (16,715,081)</u>	<u>\$ (22,841,080)</u>

General receipts totaled \$25,105,528 which is approximately 81 percent of total receipts. The most significant portion of the general receipts is grants and entitlements receipts which accounts for 44 percent of total receipts. The grants and entitlements receipts consist of State foundation, homestead and rollback and personal property tax exemption. Property taxes account for approximately 24 percent of total receipts and other receipts accounts for 0.8 percent of total receipts. The remaining amount of receipts received was in the form of program receipts, which equaled \$6,024,297 or 19 percent of total receipts. The decrease in receipts is due to a large portion of the OFSC grant money which was received in fiscal year 2010.

The total disbursements decreased \$16,286,396 or 25 percent from fiscal year 2010. The largest contributors to this decrease were \$17,247,901 in capital outlay disbursements. The decrease in capital outlay is due to the majority of the expenditures for the capital project were made in fiscal year 2010 compared to fiscal year 2011.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

Governmental Activities

Several sources fund the School District's governmental activities with the grants and entitlements being the largest contributor. The School District received \$13.6 million in foundation settlement payments in fiscal year 2011. Property tax levies generated \$7.5 million in 2011. The School District's operations are reliant upon its tax levies and the state's foundation program. Thus, the School District monitors both of these receipt sources closely.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 and 2010, comparatively. That is, it identifies the cost of these services supported by tax receipts and unrestricted State entitlements.

(Table 3)
Governmental Activities

	2011		2010	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 16,985,696	\$ (13,985,902)	\$ 16,785,298	\$ (13,410,953)
Support Services:				
Pupil and Instructional Staff	3,012,307	(2,316,484)	2,747,375	(2,733,848)
Board of Education, Administration, Fiscal and Business	2,731,857	(2,711,231)	2,371,857	(2,371,857)
Operation and Maintenance of Plant	2,411,650	(2,344,880)	2,133,687	(2,133,687)
Pupil Transportation	1,413,215	(1,404,977)	1,209,300	(1,202,458)
Central	54,081	(37,706)	53,798	(42,366)
Operation of Non-Instructional Services	26,468	(26,468)	0	0
Operation of Food Services	1,113,505	112,399	1,159,440	24,859
Extracurricular Activities	658,893	(367,436)	611,196	(407,357)
Capital Outlay	16,438,393	(15,987,430)	33,686,294	(33,686,294)
Debt Service	2,998,841	(2,750,494)	3,373,057	(3,373,057)
Total	<u>\$ 47,844,906</u>	<u>\$ (41,820,609)</u>	<u>\$ 64,131,302</u>	<u>\$ (59,337,018)</u>

Instruction and Student Support Services comprise 42 percent of governmental program expenses. Pupil transportation and the operation/maintenance of plant account for 3 percent of governmental program expenses.

The dependence upon tax revenues and general revenue entitlements from the State for governmental activities is apparent. The community, as a whole, is the primary support for Wapakoneta City School District's students.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

The School District's Funds

Information about the School District's major funds starts on page 12. These funds are accounted for using the cash basis of accounting. All governmental funds had total receipts of \$29,810,857 and disbursements of \$47,844,906. The net change in fund balance for the year was most significant in the Permanent Improvement Fund, Building Fund and the Ohio School Facilities Fund. The \$2,689,514, \$8,303,349 and 4,838,705 decreases in the Permanent Improvement Fund, Building Fund and Ohio School Facilities fund, respectively were the result of OSFC grant expenditures exceeding intergovernmental receipts on construction projects, mainly due to the timing of receipts in prior year with disbursements in the current year. The General Fund decrease of \$1,243,131 was due to increased open enrollment and community school fee disbursements.

General Fund Budgeting Highlights

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

During the course of fiscal year 2011, there were changes to the School District's total general fund budget. The School District uses site-based budgeting and the budgeting system which are designed to tightly control total site budgets but provide flexibility for site management.

For the General Fund, the final budget basis revenue of \$21,931,924 showed a \$1,623,930 decrease from the original budget estimates. The School District begins the fiscal year with a temporary budget. This is updated in September with Board approval of the permanent appropriations. Budget adjustments are made throughout the year as updated information becomes available.

Actual revenues of \$21,931,924 were equal to final budgeted amounts.

Final budgetary expenditures of \$23,288,720 were \$249,923 lower than the \$23,538,643 in the final budget. The major area of this decrease was in instructional staff and operation and maintenance of plant as the School District closely monitored spending.

Debt Administration

At June 30, 2011, the School District had \$24,150,000 in bonds outstanding with \$250,000 due within one year. See Note 14 to the basic financial statements for additional details on the School District's debt obligations.

Current Issues

Wapakoneta City School District receives approximately 62.3% of its general fund revenue from the State. The State of Ohio changed the funding formula in biannual budget approved in June 2011. The new formula has not yet been presented by the Governor. However, due to the financial status of the State of Ohio, any increase or decrease was capped.

The construction contracts for all four buildings totaled \$61,876,320; at June 30, 2011, less than 1 percent is still owed to the contractors.

Wapakoneta City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011
(Unaudited)

For fiscal year 2011, the School District did not replace six teachers and four classified employees who retired or resigned in fiscal year 2011. In addition, materials and supplies appropriations were cut by 5%.

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

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

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

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

Contacting the School District's Financial Management

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

Wapakoneta City School District
Auglaize County
Statement of Net Assets - Cash Basis
June 30, 2011

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Investments	\$ 8,816,982
<i>Total Assets</i>	<u>\$ 8,816,982</u>
Net Assets	
Restricted for:	
Debt Service	\$ 341,673
Permanent Improvements	3,434,039
Facilities Maintenance	838,991
Food Service Operations	257,663
Other Purposes	127,104
Unrestricted	<u>3,817,512</u>
<i>Total Net Assets</i>	<u>\$ 8,816,982</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Auglaize County
Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2011

	Cash Disbursements	Charges for Services and Sales	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
			Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	
Governmental Activities:					
Instruction					
Regular	\$ 12,400,325	\$ 477,527	\$ 504,761	\$ 0	\$ (11,418,037)
Special	2,432,624	16,700	1,905,204	0	(510,720)
Vocational	348,383	0	95,602	0	(252,781)
Student Intervention Services	8,153	0	0	0	(8,153)
Other	1,796,211	0	0	0	(1,796,211)
Support Services					
Pupil	1,292,573	0	678,577	0	(613,996)
Instructional Staff	1,719,734	0	17,246	0	(1,702,488)
Board of Education	16,284	0	0	0	(16,284)
Administration	2,362,789	13,250	0	0	(2,349,539)
Fiscal	347,686	7,376	0	0	(340,310)
Business	5,098	0	0	0	(5,098)
Operation and Maintenance of Plant	2,411,650	0	66,770	0	(2,344,880)
Pupil Transportation	1,413,215	8,238	0	0	(1,404,977)
Central	54,081	0	16,375	0	(37,706)
Operation of Non-Instructional Services	26,468	0	0	0	(26,468)
Operation of Food Services	1,113,505	624,896	601,008	0	112,399
Extracurricular Activities	658,893	264,612	26,845	0	(367,436)
Capital Outlay	16,438,393	0	0	450,963	(15,987,430)
Repayment of Debt	2,998,841	0	248,347	0	(2,750,494)
Total Governmental Activities	\$ 47,844,906	\$ 1,412,599	\$ 4,160,735	\$ 450,963	(41,820,609)

General Receipts

Property Taxes Levied for:	
General Purposes	5,808,959
Debt Service	1,670,796
Income Taxes Levied for:	
General Purposes	1,750,233
Permanent Improvement	862,055
Proceeds from Notes Issued	1,210,000
Proceeds from sale of assets	91,346
Grants and Entitlements not Restricted to Specific Programs	13,556,720
Interest	93,094
Miscellaneous	62,325
Total General Receipts	25,105,528

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

(16,715,081)

25,532,063

\$ 8,816,982

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Anglaize County
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2011

	General Fund	Permanent Improvement Fund	Building Fund	Ohio School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	\$ 3,847,944	\$ 1,425,428	\$ 2,008,611	\$ 0	\$ 1,534,871	\$ 8,816,854
Restricted Assets:						
Equity in Pooled Cash and Investments	128	0	0	0	0	128
<i>Total Assets</i>	<u>\$ 3,848,072</u>	<u>\$ 1,425,428</u>	<u>\$ 2,008,611</u>	<u>\$ 0</u>	<u>\$ 1,534,871</u>	<u>\$ 8,816,982</u>
Fund Balances						
Nonspendable	\$ 128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128
Restricted	0	1,425,428	2,008,611	0	1,534,871	4,968,910
Assigned	38,458	0	0	0	0	38,458
Unassigned	3,809,486	0	0	0	0	3,809,486
<i>Total Fund Balances</i>	<u>\$ 3,848,072</u>	<u>\$ 1,425,428</u>	<u>\$ 2,008,611</u>	<u>\$ 0</u>	<u>\$ 1,534,871</u>	<u>\$ 8,816,982</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Auglaize County
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General Fund	Permanent Improvement Fund	Building Fund	Ohio School Facilities Fund	Other Governmental Funds	Total Governmental Funds
Receipts						
Property and Other Local Taxes	\$ 5,808,959	\$ 0	\$ 0	\$ 0	\$ 1,670,796	\$ 7,479,755
Income Tax	1,750,233	862,055	0	0	0	2,612,288
Intergovernmental	13,673,990	24,908	0	366,994	4,015,554	18,081,446
Interest	93,094	689	20,004	27,625	228	141,640
Tuition and Fees	502,466	0	0	0	0	502,466
Rent	7,376	0	0	0	0	7,376
Extracurricular Activities	13,250	0	0	0	208,681	221,931
Gifts and Donations	8,956	10,293	0	0	15,286	34,535
Customer Sales and Services	55,931	0	0	0	624,896	680,827
Miscellaneous	35,746	450	0	0	12,397	48,593
<i>Total Receipts</i>	<u>21,950,001</u>	<u>898,395</u>	<u>20,004</u>	<u>394,619</u>	<u>6,547,838</u>	<u>29,810,857</u>
Disbursements						
Current:						
Instruction						
Regular	11,253,137	51,857	0	0	1,095,331	12,400,325
Special	1,541,932	0	0	0	890,692	2,432,624
Vocational Education	348,383	0	0	0	0	348,383
Student Intervention Services	8,153	0	0	0	0	8,153
Other	1,771,852	0	0	0	24,359	1,796,211
Support Services						
Pupil	1,063,820	10,160	0	52,316	166,277	1,292,573
Instructional Staff	1,382,245	176,909	0	0	160,580	1,719,734
Board of Education	16,284	0	0	0	0	16,284
Administration	1,859,564	0	0	0	503,225	2,362,789
Fiscal	308,195	14,060	0	0	25,431	347,686
Business	5,098	0	0	0	0	5,098
Operation and Maintenance of Plant	2,026,098	93,267	0	0	292,285	2,411,650
Pupil Transportation	1,254,985	158,230	0	0	0	1,413,215
Central	36,274	0	0	0	0	36,274
Operation of Non-Instructional Services	26,039	0	0	0	18,236	44,275
Operation of Food Services	0	0	0	0	1,113,505	1,113,505
Extracurricular Activities	395,783	0	0	0	263,110	658,893
Capital Outlay	0	2,925,002	8,323,353	5,181,008	9,030	16,438,393
Debt Service						
Principal	0	0	0	0	1,860,000	1,860,000
Interest	0	0	0	0	1,138,841	1,138,841
<i>Total Disbursements</i>	<u>23,297,842</u>	<u>3,429,485</u>	<u>8,323,353</u>	<u>5,233,324</u>	<u>7,560,902</u>	<u>47,844,906</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,347,841)</u>	<u>(2,531,090)</u>	<u>(8,303,349)</u>	<u>(4,838,705)</u>	<u>(1,013,064)</u>	<u>(18,034,049)</u>
Other Financing Sources (Uses)						
Transfers In	0	0	0	0	158,424	158,424
Proceeds from Sale of Assets	91,346	0	0	0	0	91,346
Refund of Prior Year Receipts	(3,962)	0	0	0	0	(3,962)
Notes issued	0	0	0	0	1,210,000	1,210,000
Refund of Prior Year Disbursements	17,326	0	0	0	4,258	21,584
Transfers Out	0	(158,424)	0	0	0	(158,424)
<i>Total Other Financing Sources (Uses)</i>	<u>104,710</u>	<u>(158,424)</u>	<u>0</u>	<u>0</u>	<u>1,372,682</u>	<u>1,318,968</u>
<i>Net Change in Fund Balances</i>	<u>(1,243,131)</u>	<u>(2,689,514)</u>	<u>(8,303,349)</u>	<u>(4,838,705)</u>	<u>359,618</u>	<u>(16,715,081)</u>
<i>Fund Balances - Beginning of Year, Restated (Note 3)</i>	<u>5,091,203</u>	<u>4,114,942</u>	<u>10,311,960</u>	<u>4,838,705</u>	<u>1,175,253</u>	<u>25,532,063</u>
<i>Fund Balances - End of Year</i>	<u>\$ 3,848,072</u>	<u>\$ 1,425,428</u>	<u>\$ 2,008,611</u>	<u>\$ 0</u>	<u>\$ 1,534,871</u>	<u>\$ 8,816,982</u>

Wapakoneta City School District
Auglaize County
Statement of Cash Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 6,645,452	\$ 5,808,959	\$ 5,808,959	\$ 0
Income Tax	1,910,336	1,750,233	1,750,233	0
Intergovernmental	14,199,425	13,673,990	13,673,990	0
Interest	129,470	92,621	92,621	0
Tuition and Fees	618,388	502,466	502,466	0
Rent	9,355	7,376	7,376	0
Gifts and Donations	4,152	4,602	4,602	0
Customer Sales and Services	0	55,931	55,931	0
Miscellaneous	39,276	35,746	35,746	0
<i>Total Receipts</i>	<u>23,555,854</u>	<u>21,931,924</u>	<u>21,931,924</u>	<u>0</u>
Disbursements				
Current:				
Instruction				
Regular	12,350,820	11,258,111	11,257,928	183
Special	2,043,010	1,544,610	1,541,932	2,678
Vocational	376,461	349,839	349,183	656
Student Intervention Services	0	8,153	8,153	0
Other	1,586,304	1,785,974	1,771,852	14,122
Support Services				
Pupil	1,125,005	1,078,168	1,063,820	14,348
Instructional Staff	1,615,701	1,424,214	1,382,536	41,678
Board of Education	19,781	16,284	16,284	0
Administration	2,272,008	1,848,295	1,842,411	5,884
Fiscal	379,692	319,514	308,195	11,319
Business	5,388	5,388	5,098	290
Operation and Maintenance of Plant	2,040,810	2,136,652	2,028,247	108,405
Pupil Transportation	1,208,425	1,296,176	1,254,985	41,191
Central	19,414	42,885	36,274	6,611
Operation of Non-Instructional Services				
Community Services	5,658	27,650	25,439	2,211
Other	947	947	600	347
Extracurricular Activities				
Academic Oriented Activities	6,426	63,894	63,894	0
Sport Oriented Activities	43,295	308,634	308,634	0
School and Public Service Co-Curricular Activities	3,917	23,255	23,255	0
<i>Total Disbursements</i>	<u>25,103,062</u>	<u>23,538,643</u>	<u>23,288,720</u>	<u>249,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,547,208)</u>	<u>(1,606,719)</u>	<u>(1,356,796)</u>	<u>249,923</u>
Other Financing Sources (Uses)				
Refund of Prior Year Disbursements	59,039	17,413	17,413	0
Refund of Prior Year Receipts	(3,062)	(3,962)	(3,962)	0
Proceeds from Sale of Assets	85,106	91,346	91,346	0
<i>Total Other Financing Sources (Uses)</i>	<u>141,083</u>	<u>104,797</u>	<u>104,797</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	<u>(1,406,125)</u>	<u>(1,501,922)</u>	<u>(1,251,999)</u>	<u>249,923</u>
<i>Fund Balances Beginning of Year, Restated (Note 3)</i>	4,624,529	4,624,529	4,624,529	0
Prior Year Encumbrances Appropriated	27,803	27,803	27,803	0
<i>Fund Balances End of Year</i>	<u>\$ 3,246,207</u>	<u>\$ 3,150,410</u>	<u>\$ 3,400,333</u>	<u>\$ 249,923</u>

See accompanying notes to the basic financial statements.

Wapakoneta City School District
Auglaize County
Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2011

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Investments	\$ 103,922
<i>Total Assets</i>	<u>\$ 103,922</u>
Net Assets	
Due to Students	\$ 96,640
Undistributed Monies	<u>7,282</u>
<i>Total Net Assets</i>	<u>\$ 103,922</u>

See accompanying notes to the basic financial statements.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District serves an area of approximately one hundred forty-eight square miles. It is located in Auglaize County. The School District is the 147th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by one hundred seven classified employees, one hundred seventy-six certified teaching personnel, and eleven administrative employees who provide services to three thousand sixty-five students and other community members. The School District currently operates two elementary schools, a middle school, a high school, an administration building, and an operations building.

Reporting Entity

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

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

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

The School District participates in four jointly governed organizations and two insurance pools. These organizations are the Northwest Ohio Area Computer Services Cooperative (NOACSC), Apollo Joint Vocational School, Northwestern Ohio Educational Research Council, Inc., Southwestern Ohio Educational Purchasing Cooperative, Ohio School Plan, and the Ohio School Boards Association Workers' Compensation Group Rating Plan. These organizations are presented in Notes 18 and 19 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation – Fund Accounting

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

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

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

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

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

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

Ohio School Facilities Fund - The Ohio School Facilities capital projects fund is used to account for the construction and renovation of the School District's buildings. The project is being funded with local taxes and a grant from the Ohio School Facilities Commission.

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

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 2011. 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.

B. Basis of Accounting

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

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

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Process

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

The legal level of budgetary control established by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the function and object level within all funds, are made by the Treasurer.

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

Tax Budget

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

Estimated Resources

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

Appropriations

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 2011, investments included negotiable certificates of deposit, federal agency securities, and STAR Ohio. All investments, with the exception of STAR Ohio, 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, 2011.

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 2011 was \$93,094, which included \$40,309 assigned from other School District funds.

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

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

E. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund consist of unclaimed monies.

F. Inventory and Prepaid Items

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

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

H. Compensated Absences

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

I. Debt Obligations

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

J. Intergovernmental Receipts

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

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be disbursed are recorded as transfers.
2. Reimbursements from one fund to another are treated as disbursements in the reimbursing fund and a reduction in disbursements in the reimbursed fund.

L. Employer Contributions to Cost-Sharing Pension Plans

The School District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

M. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation. Net assets restricted for other purposes primarily include resources for instruction of students and food service operations. As of June 30, 2011, the School District did not have any net assets restricted by enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

FUND FINANCIAL STATEMENTS

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

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

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

N. Receipts and Disbursements

Program Receipts

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Receipts and Disbursements

Operating receipts and disbursements for governmental funds result from providing services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

O. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*” and GASB Statement No. 59, “*Financial Instruments Omnibus*.”

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 – RESTATEMENT OF FUND BALANCE

For fiscal year 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “*Fund Balance Reporting and Governmental Fund Type Definitions*”. GASB Statement No. 54 provides fund balance classifications that can be more consistently applied and clarifies the existing governmental fund type definitions. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned, and/or unassigned.

The restatement had the following effect on fund balances:

	General	All Other Governmental Funds
Fund Balance at June 30, 2010	\$ 5,061,224	\$ 1,205,232
Change in Fund Structure	29,979	(29,979)
Adjusted Fund Balance at July 1, 2010	<u>\$ 5,091,203</u>	<u>\$ 1,175,253</u>

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 3 – RESTATEMENT OF FUND BALANCE (Continued)

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund’s budgetary-basis fund balance at July 1, 2010 is as follows:

Budgetary Basis

	General Fund
Balance at June 30, 2010	\$ 4,624,743
Funds budgeted elsewhere	(214)
Restated balance at July 1, 2010	\$ 4,624,529

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

Ohio Adm. Code Section 117-2-03(B) requires the School District to file annual financial reports, which are prepared using generally accepted accounting principles (GAAP). For fiscal year 2011, the School District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit assets, liabilities, 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.

NOTE 5 - 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 of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements, and Changes in Fund Balance-Budget (Non-GAAP Basis) and Actual, for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

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

Change in Fund Balance

Cash Basis	\$(1,243,131)
Increase (Decrease) Due to:	
Non budgeted cash activity	(473)
Funds budgeted elsewhere**	(365)
Encumbrances	(8,030)
Budget Basis	\$(1,251,999)

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - 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;
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
8. Bankers' acceptances and commercial paper if training requirements have been met.

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.

At June 30, 2011, the School District has \$100 in undeposited cash on hand.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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. As of June 30, 2011, the carrying value of the School District's deposits was \$1,502,515. At fiscal year end, \$1,190,249 of the School District's bank balance of \$2,014,102 was exposed to custodial credit risk because it was uninsured, including \$1,109,972 collateralized by securities held by the institution's trust department and \$80,278 which was uncollateralized.

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, 2011, the School District had the following investments.

	<u>Total</u>	<u>Less Than One Year</u>	<u>One Year to Three Years</u>	<u>More Than Three Years</u>
Federal Home Loan Bank Bonds	\$ 1,561,695	\$ 0	\$ 0	\$ 1,561,695
Federal National Mortgage Association Bonds	680,000	0	0	680,000
Federal Farm Credit Bank Bond	250,000	0	250,000	0
STAR Ohio	3,056,594	3,056,594	0	0
Negotiable CD's	1,870,000	264,000	810,000	796,000
Total	<u>\$ 7,418,289</u>	<u>\$ 3,320,594</u>	<u>\$ 1,060,000</u>	<u>\$ 3,037,695</u>

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

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Credit Risk – The negotiable certificates of deposit are insured by the FDIC. The Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, and Federal Farm Credit Bank Bonds carry a rating of AAA by Moodys. STAR Ohio carries a rating of AAAM 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.

Concentration of Credit Risk – The School District places no limit on the amount the School District may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. See percentages below.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 6 - DEPOSITS AND INVESTMENTS (Continued)

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.

	Carrying Value	Percentage of Portfolio
Federal Home Loan Bank	\$1,561,695	21.05%
Federal National Mortgage Association	680,000	9.17%
Federal Farm Credit Bank	250,000	3.37%
STAROhio	3,056,594	41.20%
Negotiable CD's	1,870,000	25.21%
	\$7,418,289	100.00%

NOTE 7 - PROPERTY TAXES

Tangible personal property tax revenues received in calendar year 2011 (other than public utility property) represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010, on the value as of December 31, 2010. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property were eliminated in calendar year 2009, and the tax on telephone and telecommunications property will be eliminated during calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006 – 2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

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, 2011, are available to finance fiscal year 2011 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 2011 taxes were collected are:

	2010 Second- Half Collections		2011 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$263,666,630	80.86%	\$265,853,750	80.94%
Industrial/Commercial	56,017,780	17.18	55,917,590	17.03
Public Utility	6,397,500	1.96	6,662,220	2.03
Total Assessed Value	\$326,081,910	100.00%	\$328,433,560	100.00%
Tax rate per \$1,000 of assessed valuation	\$31.30		\$31.30	

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 8 - INCOME TAXES

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

NOTE 9 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted for the following insurance coverage:

Ohio School Plan	
Boiler and Machinery	\$86,053,302
General Liability	
Per Occurrence	5,000,000
Aggregate	7,000,000
Automobile Liability	5,000,000
Netherlands Insurance Company	
Builders Risk	67,945,676

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 2011, the School District participated in the Ohio School Plan (Plan), an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant.

For fiscal year 2011, the School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Plan (Plan), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premium to the State based on the rate for the Plan rather than its individual rate. Participation in the Plan is limited to participants that can meet the Plan's selection criteria. The firm of Comp Management provides administrative, cost control, and actuarial services to the Plan.

NOTE 10 - CONTRACTUAL OBLIGATIONS

As of June 30, 2011, the School District had contractual commitments as follows:

<u>Project</u>	<u>Amount Remaining on Contract</u>
All Schools	\$ 222,196
Wapakoneta High School, Wapakoneta Middle School and Cridersville Elementary School	221,676
Wapakoneta High School and Wapakoneta Middle School	122,124
Wapakoneta Elementary School	44,338

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

Plan Options – New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more year of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1 percent of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65 whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3 percent of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DV Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The School District's required contribution for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010, and 2009 was \$1,560,530, \$1,257,712, and \$1,510,615 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009. Contributions for the DCP and CP for the fiscal year ended June 30, 2011, were \$28,992 made by the School District and \$20,708 made by plan members.

STRS Ohio issues a stand-alone financial report. Additional information or copies of the report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2011, it was determined the employer contribution rate to pension and death benefits to be 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate was allocated to the Health Care and Medicare B Funds.

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 11 - DEFINED BENEFIT PENSION PLANS (Continued)

The School District's required contribution for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010, and 2009 was \$352,412, \$368,094, and \$261,175 respectively; 40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

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, 2011, two of the Board of Education members have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 12 - POSTEMPLOYMENT BENEFITS

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

A. State Teachers Retirement System

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2011, 2010 and 2009. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The School District's contribution for fiscal years ended June 30, 2011, 2010, and 2009 was \$120,041, \$99,806, and \$117,768 respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

Medicare Part B Plan

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income. SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2011, the actuarially required allocation was .76 percent. The School District's contribution for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 was \$22,679, \$21,890, and \$21,549 respectively; 40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105 (e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2011, the health care allocation was 1.43 percent.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. State law provides that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund. The School District's contribution for health care for the fiscal years ended June 30, 2011, 2010, and 2009 was \$42,671, \$13,249, and \$119,525 respectively; 40 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

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

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 13 - OTHER EMPLOYEE BENEFIT Continued)

B. Employee Insurance Benefits

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

C. Separation Benefits

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

NOTE 14 – DEBT OBLIGATIONS

The changes in the School District’s debt obligations during fiscal year 2011 were as follows:

	Interest Rate	Balance at 6/30/10	Additions	Reductions	Balance At 6/30/11	Due Within One Year
General Debt Obligations:						
Notes Payable – 2010	2%	\$1,625,000	\$ 0	\$1,625,000	\$ 0	\$ 0
Notes Payable – 2011	2%	0	1,210,000	0	1,210,000	1,210,000
OSFC General Obligation Bonds						
Serial Bonds	3 - 5%	12,340,000	0	235,000	12,105,000	250,000
Term Bonds	4.35 - 4.75	11,800,000	0	0	11,800,000	0
Capital Appreciation Bonds	21.475 - 22.04	245,000	0	0	245,000	0
Total General Debt Obligations		<u>\$26,010,000</u>	<u>\$1,210,000</u>	<u>\$1,860,000</u>	<u>\$25,360,000</u>	<u>\$1,460,000</u>

Notes Payable Bond Anticipation Notes - On May 11, 2010, the School District issued \$1,625,000 in bond anticipation notes to partially retire notes previously issued for the construction of two new elementary schools and a new middle school, and renovation of the high school. The notes had an interest rate of 2 percent and matured on May 25, 2010. The notes were paid from the Bond Retirement debt service fund.

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

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 14 - DEBT OBLIGATIONS (Continued)

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

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

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

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

The capital appreciation bonds will mature in fiscal years 2018 and 2019. The maturity amount for the bonds is \$1,840,000.

Principal and interest requirements to retire debt obligations as of June 30, 2011, were as follows:

Fiscal Year	Notes Payable		General Obligation Bonds		Capital Appreciation Bonds		Total	
	Ending June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2012	\$ 1,210,000	\$ 24,200	\$ 250,000	\$ 1,099,156	\$ 0	\$ 0	\$ 1,460,000	\$ 1,123,356
2013	0	0	310,000	1,090,756	0	0	310,000	1,090,756
2014	0	0	335,000	1,080,662	0	0	335,000	1,080,662
2015	0	0	365,000	1,069,287	0	0	365,000	1,069,287
2016	0	0	435,000	1,055,744	0	0	435,000	1,055,744
2017-2021	0	0	1,800,000	5,163,226	245,000	1,595,000	2,045,000	6,758,226
2022-2026	0	0	5,240,000	4,274,897	0	0	5,240,000	4,274,897
2027-2031	0	0	6,635,000	2,857,725	0	0	6,635,000	2,857,725
2032-2036	0	0	8,535,000	1,050,581	0	0	8,535,000	1,050,581
Total	\$ 1,210,000	\$ 24,200	\$ 23,905,000	\$ 18,742,034	\$ 245,000	\$ 1,595,000	\$ 25,360,000	\$ 20,361,234

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

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 15 – FUND BALANCE

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

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

	<u>General</u>	<u>Permanent Improvement</u>	<u>Building Fund</u>	<u>Ohio School Facilities</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
Nonspendable						
Unclaimed monies	\$ 128	\$ 0	\$ 0	\$ 0	\$ 0	\$ 128
Total Nonspendable	<u>128</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>128</u>
Restricted for:						
Permanent improvements	0	1,425,428	2,008,611	0	0	3,434,039
Debt service	0	0	0	0	341,673	341,673
Food service operations	0	0	0	0	257,663	257,663
Athletics/music/yearbook	0	0	0	0	95,193	95,193
Power of the Pen	0	0	0	0	1,143	1,143
Facility maintenance	0	0	0	0	838,991	838,991
Adult education	0	0	0	0	208	208
Total Restricted	<u>0</u>	<u>1,425,428</u>	<u>2,008,611</u>	<u>0</u>	<u>1,534,871</u>	<u>4,968,910</u>
Assigned to:						
Public school support	30,428	0	0	0	0	30,428
Unpaid obligations	8,030	0	0	0	0	8,030
Total Assigned to	<u>38,458</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,458</u>
Unassigned	<u>3,809,486</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,809,486</u>
Total Fund Balance	<u>\$ 3,848,072</u>	<u>\$ 1,425,428</u>	<u>\$ 2,008,611</u>	<u>\$ 0</u>	<u>\$ 1,534,871</u>	<u>\$ 8,816,982</u>

NOTE 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.

**WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY**

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011*

NOTE 16 - SET ASIDE REQUIREMENTS (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2011.

	Textbook Reserve	Capital Maintenance Reserve
Set Aside Reserve Balance June 30, 2010	\$ 0	\$ 0
Current Year Set-Aside Requirement	441,100	441,100
Current Year Qualifying Expenditures	(424,354)	0
Excess Qualified Expenditures from Prior Years	(16,746)	0
Current Year Offsets	0	(441,100)
Prior Year Offset from Bond Proceeds	0	0
Total	\$ 0	\$ 0
Balance Carried Forward to Fiscal Year 2012	\$ (4,186,763)	\$ 0
Set Aside Reserve Balance June 30, 2011	\$ 0	\$ 0

The School District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed.

NOTE 17 - INTERFUND TRANSFERS

During fiscal year 2011, the Permanent Improvement capital projects fund made transfers to other governmental funds, in the amount of \$158,424, to fund OSFC maintenance requirements.

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS

A. Northwest Ohio Area Computer Services Cooperative

The School District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC), which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Hancock, Mercer, Paulding, Putnam, and Van Wert Counties, and the Cities of St. Marys and Wapakoneta. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member educational entities. The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member educational entities within each county. During fiscal year 2011 the School District paid \$43,548 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, 2011

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

C. Northwestern Ohio Educational Research Council, Inc.

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

D. Southwestern Ohio Educational Purchasing Cooperative

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

NOTE 19 - INSURANCE POOLS

A. Ohio School Plan

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

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

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

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

WAPAKONETA CITY SCHOOL DISTRICT
AUGLAIZE COUNTY

Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

NOTE 20 – CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

B. Litigation

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

Wapakoneta City School District
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2011

Federal Agency/ Pass Through Agency/ Program Title	Federal CFDA Number	Receipts	Disbursements
U.S. Department of Agriculture:			
<i>Passed through Ohio Department of Education:</i>			
Nutrition Cluster:			
Non-Cash Assistance (Food Distribution):			
National School Lunch Program	10.555	\$ 139,219	\$ 139,219
Cash Assistance:			
National School Breakfast Program	10.553	79,077	79,077
National School Lunch Program	10.555	<u>507,485</u>	<u>507,485</u>
Total Nutrition Cluster		<u>725,781</u>	<u>725,781</u>
Total US Department of Agriculture		<u>725,781</u>	<u>725,781</u>
U.S. Department of Education:			
<i>Passed through Ohio Department of Education:</i>			
Title I, Part A Cluster:			
Title I Grants to Local Education Agencies	84.010	354,348	354,348
ARRA - Title I Grants to Local Education Agencies	84.389	<u>10,065</u>	<u>9,692</u>
Total Title I, Part A Cluster		364,413	364,040
Special Education Cluster:			
Special Education Grants to States	84.027	605,517	605,517
ARRA - Special Education Grants to States	84.391	<u>257,822</u>	<u>254,466</u>
Total Special Education Cluster		863,339	859,983
Education Technology State Grants	84.318	1,181	1,181
Improving Teacher Quality State Grants	84.367	128,744	128,744
ARRA - State Fiscal Stabilization	84.394	1,041,865	1,041,865
Education Jobs Fund	84.410	<u>678,577</u>	<u>678,577</u>
Total U.S. Department of Education		<u>3,078,119</u>	<u>3,074,390</u>
Total Federal Assistance		<u>\$ 3,803,900</u>	<u>\$ 3,800,171</u>

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

Wapakoneta City School District
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. Significant Accounting Policies:

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

2. U.S. Department of Agriculture Programs:

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. When reporting expenditures on the schedule of expenditures of federal awards, it is assumed federal monies are expended first.

3. Food Commodities Program:

Non-monetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the schedule at the fair market value of the commodities received and consumed. At June 30, 2011 the District had no significant food commodities in inventory.

4. Matching Requirements:

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wapakoneta City School District (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2012, wherein we noted the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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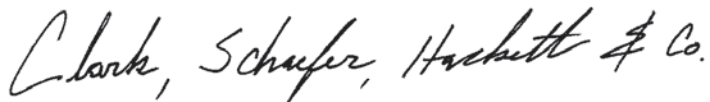
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that we are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-001.

We also noted certain matters that we reported to management of the District, in a separate letter dated January 31, 2012.

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

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

A handwritten signature in cursive script that reads "Clark, Schufer, Hachett & Co.".

Springfield, Ohio
January 31, 2012

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

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

Compliance

We have audited the compliance of the Wapakoneta City School District (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-002 and 2011-003.

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Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-002, 2011-003, and 2011-004. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
January 31, 2012

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with 510(a) of Circular A-133?	Yes
Identification of major programs:	
<i>Nutrition Cluster:</i>	
CFDA 10.553 – National School Breakfast Program	
CFDA 10.555 – National School Lunch Program	
<i>Special Education Cluster:</i>	
CFDA 84.027 – Special Education Grants to States	
CFDA 84.391 – ARRA – Special Education Grants to States	
CFDA 84.394 – ARRA – State Fiscal Stabilization	
CFDA 84.410 – Education Jobs Fund	
Dollar threshold to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

SECTION II – FINANCIAL STATEMENT FINDINGS

2011-001: Reporting Annual Financial Statements

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

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

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

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

Recommendation: We recommend the District prepare its annual financial report in accordance with GAAP to include all assets, liabilities and disclosures to provide a complete presentation of its financial status.

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

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

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

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

Criteria: American Recovery and Reinvestment Act of 2009 (ARRA), section 1512 (b) & (c) requires any entity that receives certain Recovery funds directly from the Federal Government to submit to the Federal Agency no later than 10 days after the end of each calendar quarter in which the Federal Recovery funds were received. The Ohio Department of Education's American Recovery and Reinvestment Act Reporting Guidance states that Ohio Department of Education (ODE), as a prime recipient of ARRA funding, is required to report quarterly to the federal government data on ARRA programs. The District did not receive direct ARRA funding. However, the ODE's reporting guidance indicates that ODE distributes ARRA funds to local education agencies (LEAs) as subrecipients and must collect quarterly data from LEAs to meet the 1512 reporting requirements associated with ARRA funding. Thus, the 1512 reporting requirements filter down to the District and the District is required to report certain information to ODE. Among the items to be reported, the vendor name and zip code are required for each vendor paid to date that received a single payment, from a single ARRA grant, in excess of \$25,000. The vendor reporting requirements in the Quarterly ARRA 1512 reporting is commutative in scope.

Effect: Failure to properly report in accordance with program requirements could result in loss of funding or other actions by the funder.

Cause: Although the District properly reported each vendor in the quarter that the expenditures occurred, the District did not implement procedures to ensure that each quarterly ODE 1512 ARRA Subrecipient Vendor report was prepared on a cumulative basis.

Recommendation: We recommend the District implement procedures to ensure that vendors receiving single payments of \$25,000 are reported on the ODE 1512 ARRA Subrecipient Vendor report that is commutative in scope for each quarter to comply with federal regulations.

Management Response: ODE's software did not accumulate or carry forward data entered into each of the quarterly reports. The District was not made aware of this until well within the fiscal year. Once notified, the District re-entered accumulated data in the third and fourth quarter reports submitted to ODE.

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

Condition: During the audit, the District received advance payments of State Fiscal Stabilization Funds (SFSF) from ODE via the State Foundation Settlement payments. At the end of several months during fiscal year 2011, there was a positive cash balance in the SFSF fund (fund 532) as a result of not moving eligible expenditures to the SFSF Fund in a timely manner. By June 30, 2011 the District had expended all money from the SFSF fund.

Criteria: Title 34 Subtitle A 80.20(b)(7) requires that when advances are made by electronic transfers of funds, the grantee must make draw downs as close as possible to the time of making disbursements. ODE advances federal SFSF funds on a monthly basis through electronic transfers.

Effect: Failure to properly spend federal money in a timely manner could result in the District being required to return money to the grantor agency.

Cause: The District did not implement procedures to ensure that the balances of federal grant funds are spent in a timely manner.

Recommendation: We recommend the District implement procedures to help assure SFSF funds have a low positive balance to comply with spending federal grant funds in a timely manner.

Management Response: *The District entered quarterly journal entries reclassing expenditures from the general fund to the SFSF fund versus monthly to reflect actual expenditures to date charged against the SFSF fund. Actual expenditures occurred in a timely manner in each month within the general fund in compliance with grant requirements.*

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

Condition: During the audit, it was noted that the District allocated expenditures to the special education cluster in excess of actual salary expenditures that incurred at fiscal year end.

Criteria: Title 34 Subtitle A 80.20(b)(6) requires that financial management systems must provide source documentation or accounting records to corroborate grant disbursements.

Effect: Failure to properly track and report actual grant expenditures could result in the District requesting a cash advance exceeding 10% of the approved budget amount allowed by ODE which could result in the District being required to return money to the grantor agency

Cause: The District inaccurately calculated the salary expenditures when preparing the journal entries to allocate expenses to the special education cluster due to using estimated salary amounts verses using actual expenditures from source documents.

Recommendation: We recommend the District implement procedures to help assure salary expenditures charged to Special Education Cluster funds are accurate to the payroll data during the period.

Management Response: *A calculation error was made concerning one teacher charged to this fund, due to an early estimate of costs not being replaced by actual expenses when they were later determined. Actual expenditures of staff well exceeded the grant allocation. The District changed their practice to include several validation checks to expenses charged to each grant to prevent an error in calculations in future periods.*

Wapakoneta City School District
Schedule of Prior Audit Findings
Fiscal Year Ended June 30, 2011

Finding 2010-001: Financial Report in Accordance with GAAP

Ohio Rev. Code Section 117.38 and Ohio Administrative Code section 117-2-03(B) requires the District to prepare its annual financial report in accordance with GAAP. The District's annual financial statements follow a comprehensive accounting basis other than accounting principles generally accepted in the United States of America (GAAP).

Status: Uncorrected – See current audit finding 2011-001.

Finding 2010-002: Complete and Accurate Schedule of Federal Awards and Expenditures

The District prepared a schedule of federal awards receipts and expenditures, but did not present the grant receipts and expenditures for the Child Nutrition Cluster to include donated foods.

Status: Corrected.

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

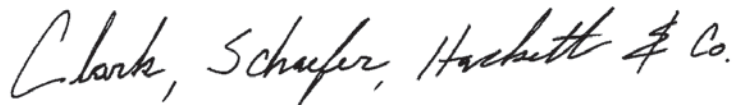
Ohio Rev. Code Section 117.53 states “the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school.”

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wapakoneta City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 12, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying and which is supplemented by the District's Administrative Guidelines Section 5517.01.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Education, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.



Springfield, Ohio
January 31, 2012

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Dave Yost • Auditor of State

WAPAKONETA CITY SCHOOL DISTRICT

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 19, 2012