



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Wayne Trace Local School District, Paulding County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Trace Local School District, Paulding County, Ohio as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of federal awards receipts and expenditures 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 general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

Jim Petro
Auditor of State

January 25, 2001

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash and Cash Equivalents	\$730,318	\$147,087	\$844,125	\$88,202
Cash with fiscal agents		14,547		
Receivables:				
Taxes	1,894,161		468,361	64,050
Due from other funds	30,000			133
Material and Supplies Inventory				
Prepaid Items	16,221			
Restricted Assets:				
Equity in Pooled Cash	77,420			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
	\$2,748,120	\$161,634	\$1,312,486	\$152,385
Total Assets and Other Debits	\$2,748,120	\$161,634	\$1,312,486	\$152,385

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$26,370	\$26,594			\$1,862,696 14,547
				2,426,572 30,133
10,966				10,966 16,221
				77,420
107,349		\$8,086,268		8,193,617
			867,993	867,993
			5,939,147	5,939,147
\$144,685	\$26,594	\$8,086,268	\$6,807,140	\$19,439,312

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2000
(Continued)**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$32,017	\$1,579		
Accrued Salaries and Benefits	477,043	25,581		
Compensated Absences Payable				
Due to other funds	133			
Intergovernmental Payable	96,272	4,567		
Deferred Revenue	1,584,608		\$444,493	
Undistributed Monies				
Due to Students				
Judgement Loan Payable				
Capital Lease Payable				
Bonds Payable				
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	<u>2,190,073</u>	<u>31,727</u>	<u>444,493</u>	
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings				
Fund Balance:				
Reserved for Encumbrances	53,590	6,696		\$21,914
Reserved for Prepaid Items	16,221			
Reserved for Debt Service			844,125	
Reserved for Property Taxes	81,761		23,868	
Reserved for Budget Stabilization	77,420			
Unreserved, Undesignated	<u>329,055</u>	<u>123,211</u>		<u>130,471</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Equity and Other Credits	<u>558,047</u>	<u>129,907</u>	<u>867,993</u>	<u>152,385</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities, Fund Equity, and Other Credits	<u>\$2,748,120</u>	<u>\$161,634</u>	<u>\$1,312,486</u>	<u>\$152,385</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$4,439	\$99			\$38,134
19,011				521,635
7,139			\$207,649	214,788
30,000				30,133
13,378			55,109	169,326
5,305				2,034,406
	1,493			1,493
	25,002			25,002
			5,333,471	5,333,471
12,455			30,961	43,416
			1,179,950	1,179,950
<u>91,727</u>	<u>26,594</u>		<u>6,807,140</u>	<u>9,591,754</u>
		\$8,086,268		8,086,268
57,641				57,641
(4,683)				(4,683)
				82,200
				16,221
				844,125
				105,629
				77,420
				582,737
<u>52,958</u>		<u>8,086,268</u>		<u>9,847,558</u>
<u>\$144,685</u>	<u>\$26,594</u>	<u>\$8,086,268</u>	<u>\$6,807,140</u>	<u>\$19,439,312</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Revenues:					
Taxes	\$2,003,357		\$447,160	\$244,419	\$2,694,936
Tuition and Fees	32,412				32,412
Intergovernmental	3,987,306	\$479,254	46,596	9,683	4,522,839
Interest	102,495		46,538		149,033
Extracurricular Activities		180,282			180,282
Gifts and Donations	545				545
Rent	465				465
Customer Services		2,882			2,882
Miscellaneous	15,040	181			15,221
Total Revenues	<u>6,141,620</u>	<u>662,599</u>	<u>540,294</u>	<u>254,102</u>	<u>7,598,615</u>
Expenditures:					
Current:					
Instruction:					
Regular	3,180,387	107,255		17,631	3,305,273
Special	449,519	247,631			697,150
Vocational	100,730				100,730
Other	6,255				6,255
Support Services:					
Pupils	275,360	4,432			279,792
Instruction	185,648	112,562			298,210
Board of Education	72,020				72,020
Administration	443,497	50,306			493,803
Fiscal	172,598	4,115	14,791		191,504
Operation and Maintenance	554,019			20,205	574,224
Transportation	472,213			119,630	591,843
Central Services	169	371			540
Extracurricular Activities	157,061	154,807			311,868
Capital Outlay	38,701			78,480	117,181
Debt Service:					
Principal	164,449		335,000		499,449
Interest			46,544		46,544
Total Expenditures	<u>6,272,626</u>	<u>681,479</u>	<u>396,335</u>	<u>235,946</u>	<u>7,586,386</u>
Excess of Revenues Over (Under) Expenditures	<u>(131,006)</u>	<u>(18,880)</u>	<u>143,959</u>	<u>18,156</u>	<u>12,229</u>
Other Financing Sources:					
Proceeds from Sale of Fixed Assets	1,313				1,313
Inception of Capital Lease	38,701				38,701
Total Other Financing Sources	<u>40,014</u>				<u>40,014</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(90,992)	(18,880)	143,959	18,156	52,243
Fund Balances at Beginning of Year	<u>649,039</u>	<u>148,787</u>	<u>724,034</u>	<u>134,229</u>	<u>1,656,089</u>
Fund Balances at End of Year	<u>\$558,047</u>	<u>\$129,907</u>	<u>\$867,993</u>	<u>\$152,385</u>	<u>\$1,708,332</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	General Fund		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Taxes	\$2,029,714	\$2,029,714	
Tuition and Fees	32,412	32,412	
Intergovernmental	3,987,306	3,987,306	
Interest	106,689	102,495	(\$4,194)
Rent	465	465	
Extracurricular Activities			
Gifts and Donations	545	545	
Customer Services			
Miscellaneous	15,040	15,040	
Total Revenues	6,172,171	6,167,977	(4,194)
Expenditures:			
Current:			
Instruction:			
Regular	3,284,048	3,284,048	
Special	449,863	449,863	
Vocational	102,623	102,623	
Other	6,255	6,255	
Support Services:			
Pupils	272,488	272,488	
Instruction	187,145	187,145	
Board of Education	90,344	90,344	
Administration	508,915	508,915	
Fiscal	173,851	173,851	
Operation and Maintenance	580,360	580,360	
Transportation	489,190	489,190	
Central Services	167	167	
Non-Instructional Services	44	44	
Extracurricular Activities	157,980	157,980	
Capital Outlay			
Debt Service:			
Principal	156,709	156,709	
Interest			
Total Expenditures	6,459,982	6,459,982	
Excess of Revenues Over (Under) Expenditures	(287,811)	(292,005)	(4,194)
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets	1,313	1,313	
Refund of Prior Year Expenditures	63,852	63,852	
Advances Out	(30,000)	(30,000)	
Total Other Financing Sources (Uses)	35,165	35,165	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(252,646)	(256,840)	(4,194)
Fund Balances at Beginning of Year	626,716	626,716	
Prior Year Encumbrances Appropriated	354,802	354,802	
Fund Balances at End of Year	\$728,872	\$724,678	(\$4,194)

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

	<u>Special Revenue Fund</u>		
	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Taxes			
Tuition and Fees			
Intergovernmental	\$398,982	\$398,982	
Interest	566	523	(\$43)
Rent			
Extracurricular Activities	174,719	174,719	
Gifts and Donations			
Customer Services	2,882	2,882	
Miscellaneous	181	181	
Total Revenues	<u>577,330</u>	<u>577,287</u>	<u>(43)</u>
Expenditures:			
Current:			
Instruction:			
Regular	107,424	107,424	
Special	206,292	206,292	
Vocational			
Other			
Support Services:			
Pupils	4,411	4,411	
Instruction	97,940	97,940	
Board of Education			
Administration	32,597	32,597	
Fiscal	2,919	2,919	
Operation and Maintenance			
Transportation			
Central Services	371	371	
Non-Instructional Services			
Extracurricular Activities	165,368	165,368	
Capital Outlay			
Debt Service:			
Principal			
Interest			
Total Expenditures	<u>617,322</u>	<u>617,322</u>	
Excess of Revenues Over (Under) Expenditures	<u>(39,992)</u>	<u>(40,035)</u>	<u>(43)</u>
Other Financing Sources (Uses):			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Advances Out			
Total Other Financing Sources (Uses)			
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	<u>(39,992)</u>	<u>(40,035)</u>	<u>(43)</u>
Fund Balances at Beginning of Year	115,369	115,369	
Prior Year Encumbrances Appropriated	64,811	64,811	
Fund Balances at End of Year	<u>\$140,188</u>	<u>\$140,145</u>	<u>(\$43)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND EQUITY
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	<u>Enterprise</u>
Operating Revenues:	
Sales	<u>\$319,669</u>
Operating Expenses:	
Salaries	138,838
Fringe Benefits	25,252
Purchased Services	11,562
Materials and Supplies	298,336
Cost of Sales	3,530
Depreciation	<u>11,629</u>
Total Operating Expenses	<u>489,147</u>
Operating Loss	<u>(169,478)</u>
Non-Operating Revenues/(Expenses):	
Operating Grants	92,864
Interest	443
Interest Expense	(2,320)
Federal Donated Commodities	<u>35,048</u>
Total Non-Operating Revenues/(Expenses)	<u>126,035</u>
Net Loss	(43,443)
Retained Earnings at Beginning of Year	<u>38,760</u>
Retained Earnings at End of Year	(4,683)
Contributed Capital at Beginning and End of Year	<u>57,641</u>
Total Fund Equity at End of Year	<u><u>\$52,958</u></u>

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$318,706	\$318,706	
Federal and State Subsidies	92,864	92,864	
Interest	443	443	
Total Revenues	412,013	412,013	
Expenses:			
Salaries	142,344	142,344	
Fringe Benefits	22,764	22,764	
Purchased Services	11,562	11,562	
Materials and Supplies	272,438	272,438	
Capital Outlay	63,699	63,699	
Total Expenses	512,807	512,807	
Deficiency of Revenues Under Expenses	(100,794)	(100,794)	
Other Financing Sources:			
Advances In	30,000	30,000	
Deficiency of Revenue and Other Sources Under Expenses and Other Uses	(70,794)	(70,794)	
Fund Balance Beginning of Year	76,341	76,341	
Prior Year Encumbrances Appropriated	9,271	9,271	
Fund Balance End of Year	\$14,818	\$14,818	

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

	Enterprise
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$318,706
Cash Payments to Suppliers for Goods and Services	(266,115)
Cash Payments for Purchased Services	(11,561)
Cash Payments to Employees for Services	(142,344)
Cash Payments for Employee Benefits	(22,764)
Net Cash Used for Operating Activities	(124,078)
Cash Flows from Noncapital Financing Activities:	
Operating Grants Received	92,864
Advances from other funds	30,000
Net Cash Provided by Noncapital Financing Activities	122,864
Cash Flows From Capital and Related Financing Activities:	
Acquisition of capital Assets	(56,151)
Interest Expense	(2,320)
Net Cash Used for Capital and Related Financing Activities	(58,471)
Cash Flows From Investing Activities:	
Interest	443
Net Decrease in Cash and Cash Equivalents	(59,242)
Cash and Cash Equivalents at Beginning of Year	85,612
Cash and Cash Equivalents at End of Year	\$26,370
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	(\$169,478)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	11,629
Donated Commodities Used During Year	35,048
Changes in Assets and Liabilities:	
Decrease in Commodities Inventory	469
Increase in Accounts Payable	4,439
Decrease in Deferred Revenue	(511)
Increase in Intergovernmental Payable	438
Increase in Compensated Absences Payable	2,488
Decrease in Capital Lease Payable	(4,656)
Decrease in Accrued Wages	(3,944)
Total Adjustments	45,400
Net Cash Used for Operating Activities	(\$124,078)

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000**

1. DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

Wayne Trace Local 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 statute and/or federal guidelines.

The School District is the 440th largest in the State of Ohio (among 612 school districts) in terms of enrollment. It is staffed by 53 non-certificated employees, 79 certificated full-time teaching personnel who provide services to 1,268 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wayne Trace Local 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.

The School District is associated with four organizations which are defined as jointly governed organizations and group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Joint Vocational School, the Paulding County School Insurance Consortium, and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

For financial statement presentation purposes, the various funds of the School District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The General Fund is the operating fund of the School District and 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.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following is the School District's proprietary fund type:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Type

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and agency funds. Under this basis, revenues are recognized in the accounting period when they become both

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the School District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: taxpayer-assessed income taxes, interest, tuition, grants, and student fees.

The School District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes whose availability is indeterminable and which are intended to finance fiscal year 2001 operations have been recorded as deferred revenue.

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

The accrual basis of accounting is utilized for reporting purposes by the proprietary fund type. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

C. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Eisenhower, Title VI-B, and Drug Free special revenue funds are flow through grants in which the Western Buckeye Educational Service Center is the primary recipient. Budgetary information on these funds is not included with the District's reporting entity for which the appropriation budget is adopted.

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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Paulding County Budget Commission for rate determination.

2. 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 revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures 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 revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

3. 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 no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels 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 expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, 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. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary funds.

5. 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. Estimates

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Cash and cash equivalents held for the District by the Western Buckeye Educational Service Center is included on the Balance Sheet as part of "Cash with Fiscal Agents." During fiscal year 2000, investments were limited to repurchase agreements and the State Treasury Asset Reserve of Ohio (STAR Ohio).

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, 2000.

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 2000 was \$102,495, which included \$27,433 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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JUNE 30, 2000
(Continued)**

maturity of one year or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues required by statute to be set-aside by the District to create a reserve for budget stabilization. See Note 17 to the general purpose financial statements for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves.

G. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2000, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

I. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

J. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for

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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

- State Foundation Program
- State Property Tax Relief
- School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

- Professional Development Block Grant
- Education Management Information Systems
- Disadvantaged Pupil Impact Aid
- E-rate
- Auxiliary Services
- Title I
- Title IV
- Title VI
- Title VI-B
- Title VI-R
- Instructional Materials Subsidy
- Tech Literacy Challenge
- Ohio Reads
- Summer Intervention
- Raising the Bar
- Eisenhower Grant
- Drug-Free Schools

Capital Projects Funds

- School Net
- Technology Equity
- Emergency School Building Repair Grant
- Classroom Facilities

Reimbursable Grants

General Fund

- Driver Education

Proprietary Funds

- National School Lunch Program
- National School Breakfast Program
- Government Donated Commodities

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Grants and entitlements amounted to approximately 59% of the District's operating revenues during fiscal year 2000 for all governmental funds.

K. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2000, the balance of interfund assets/liabilities was \$30,133.

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

M. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgements, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, debt service, property taxes, and budget stabilization. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenue and expenditure.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances/retained earnings at June 30, 2000 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Fund</u>	
Athletic Fund	\$ (27,447)
Teacher Development Grant Fund	(149)
Title I Grant Fund	(32,371)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Miscellaneous Federal Grants Fund	(112,033)
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<u>Enterprise Fund</u> Food Service Fund	(11,793)
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These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2000.

B. Compliance

Although there were no funds with deficit cash balances at year end there were several funds with deficit cash balances throughout the year, ranging in amounts from \$261 to \$33,346.

4. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual - Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. Although not part of the appropriated budget, the Eisenhower, Title VI-B, and Drug Free special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

**Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types**

	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	(\$90,992)	(\$18,880)	\$143,959	\$18,156
Adjustments:				
Revenue accruals	51,508	(85,312)	(3,571)	(64,050)
Expenditure accruals	(134,296)	71,098		
Encumbrances	(83,060)	(6,941)		(21,914)
Budget basis	<u>(\$256,840)</u>	<u>(\$40,035)</u>	<u>\$140,388</u>	<u>(\$67,808)</u>

**Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type**

	Enterprise
GAAP basis - retained earnings	(\$43,443)
Adjustments:	
Revenue accruals	(6,011)
Expense accruals	(9,789)
Encumbrances	(11,551)
Budget basis - fund balance	<u>(\$70,794)</u>

5. DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two 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 may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

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1. United States treasury notes, bills, bonds, or other obligations 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 obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions.
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

At fiscal year end, the School District had \$600 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

At fiscal year end, the School District had \$14,547 in Cash with Fiscal Agent held by Western Buckeye Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent".

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$1,938,663 and the bank balance was \$2,180,307. Of the bank balance, \$302,050 was covered by federal depository insurance and \$1,418,984 was covered by securities held by the financial institutions trust department in the name of the District and \$459,273 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the District's name.

At year end, the District's only investment was in STAR Ohio, and had a value of \$853. STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$1,954,663	
Less:		
Cash with Fiscal Agent	(14,547)	
Cash on Hand	(600)	
STAR Ohio	(853)	\$853
GASB Statement 3	1,938,663	\$853

6. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
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(Continued)**

of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Paulding, Putnam and Van Wert Counties. The County Auditors 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, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$105,629 and is recognized as revenue; \$81,761 was available in the General fund and \$23,868 in the Debt Service fund.

The assessed values upon which fiscal year 2000 taxes were collected are:

	1999 Second-Half Collections		2000 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,074,950	80.86%	\$63,537,690	80.19%
Public Utility	9,540,760	12.23%	9,846,420	12.43%
Tangible Personal Property	5,386,103	6.91%	5,847,680	7.38%
Total Assessed Value	<u>\$78,001,813</u>	<u>100.00%</u>	<u>\$79,231,790</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$36.80</u>		<u>\$33.70</u>	

7. INCOME TAX

The School District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was approved by the voters on March 19, 1996, and is effective January 1, 1997, for a period of five years. 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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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JUNE 30, 2000
(Continued)**

fees and estimated refunds. Income tax revenue is credited 70% to the General Fund and 30% to the Capital Projects Fund.

8. RECEIVABLES

Receivables at June 30, 2000, consisted of both property and income taxes, as well as interfund. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2000, follows:

Furniture and Equipment	\$275,038
Less: Accumulated Depreciation	<u>167,689</u>
Net Fixed Assets	<u><u>\$107,349</u></u>

A summary of the general fixed assets follows:

	Balance at 6/30/99	Additions	Deletions	Balance at 6/30/00
Land and Improvements	\$343,411	\$80,077		\$423,488
Buildings and Improvements	4,167,314	14,617		4,181,931
Furniture, Fixtures, and Equipment	2,255,159	104,892	\$959	2,359,092
Vehicles	<u>857,026</u>	<u>294,563</u>	<u>29,832</u>	<u>1,121,757</u>
Total	<u><u>\$7,622,910</u></u>	<u><u>\$494,149</u></u>	<u><u>\$30,791</u></u>	<u><u>\$8,086,268</u></u>

10. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. For fiscal year 2000, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost	\$20,944,000
Inland Marine Coverage:	
Musical Instruments	104,085
Photo Equipment	24,000
EDP	277,240
Boiler and Machinery	9,926,900
Crime Insurance	2,000
Automobile Liability	2,000,000
Uninsured Motorists	2,000,000
Umbrella Liability	5,000,000

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

General Liability	
Per occurrence	2,000,000
Total per year	5,000,000

B. Workers' Compensation

For fiscal year 2000, the School District participated in the OSBA Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 20). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either receive money form or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

11. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate. The current rate is 14 percent of annual covered payroll; 5.5 percent was the portion used to fund pension obligations for fiscal year 2000. For fiscal year 1999, 7.7 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$49,113, \$64,447, and \$57,974, respectively; 23 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$37,817, which presents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations for fiscal year 2000. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$189,992, \$171,144, and \$268,481, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$37,399, which represents the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2000, two members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2000, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$253,323 during the 2000 fiscal year.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the fund was \$2,783 million at June 30, 1999 (the latest information available). For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000, and STRS had 95,796 eligible benefit recipients.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

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

For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. For the District, the amount to fund health care benefits, including the surcharge, was \$94,366 for fiscal year 2000.

The surcharge, added to the unallocated portion of 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999, were \$126,380,984, and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188 million. SERS has approximately 51,000 participants currently receiving health care benefits.

13. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full time (12 month) classified employees are entitled to two weeks (10 days) vacation after one full year of service, three weeks (15 days) vacations after ten years of service, and one day for each year of service to a maximum of twenty (20) days for fifteen complete years and thereafter. Accumulated, unused vacation time is paid to, or used by, classified employees upon termination of or separation from 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 which is 15 days annually. Vested sick leave is accumulated and, if unused, is paid upon retirement at 25% of the value of his/her accrued but unused sick leave credit to a maximum of 40 days.

B. Insurance

The School District provides life insurance to most employees through Medical Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The majority of employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through Medical Mutual of Ohio.

14. OPERATING LEASES

The School District is obligated under various operating lease agreements for copiers, vending machines, voice mail equipment, and a building for preschool. These agreements do not give rise to

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

property rights and are not reflected in the School's account group. Total costs for such leases were \$23,049 during fiscal year 2000. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2001	\$23,939
2002	19,309
2003	18,509
2004	17,498
2005	\$11,323
Total	<u>\$90,578</u>

15. CAPITAL LEASES

The School District has entered into lease agreements as lessee for financing the acquisition of musical instruments and a computer system for tracking student lunch sales. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date in the General Fixed Asset Account Group and the Food Service Enterprise Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>General Fixed Assets</u>	<u>Food Service Enterprise Fund</u>
Machinery and Equipment	\$38,701	\$25,055
Less: Accumulated Depreciation		(15, 033)
Total	<u>\$38,701</u>	<u>\$10,022</u>

Capital Lease Payable Liabilities have been recorded in the General Long-Term Obligations Account Group and the Food Service Enterprise Fund in the amount of \$30,961 and \$12,455, respectively. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2000, were as follows:

<u>Year Ending June 30,</u>	<u>GLTDAG</u>	<u>Enterprise</u>
2001	\$7,740	\$6,977
2002	7,740	6,977
2003	7,740	775
2004	7,741	
Total minimum lease payments	30,961	14,729
Amount representing interest		2,274
Present value of minimum lease payments	<u>\$30,961</u>	<u>12,455</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2000 were as follows:

	Principal Outstanding 6/30/99	Additions	Deductions	Principal Outstanding 6/30/00
School Improvement Bond	\$1,514,950		\$335,000	\$1,179,950
Judgement Loan Payable	5,490,180		156,709	5,333,471
Compensated Absences	141,952	\$65,697		207,649
Intergovernmental Payables	60,695		5,586	55,109
Capital Lease Payable		38,701	7,740	30,961
Total General Long-Term Obligations	<u>\$7,207,777</u>	<u>\$104,398</u>	<u>\$505,035</u>	<u>\$6,807,140</u>

Proceeds from the outstanding school improvement bonds were used for building construction and improvements. The bonds were issued on June 1, 1991, and refinanced with School Improvement Refunding Bonds on April 15, 1998 with an average interest rate of 4.75%.

Principal and interest requirements to retire general obligation debt at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total General Obligation Bonds
2001	\$360,000	\$32,895	\$392,895
2002	385,000	17,706	402,706
2003	115,000	7,303	122,303
2004	115,000	2,444	117,444
2005	48,363	76,637	125,000
2006 - 2010	156,587	463,413	620,000
Total	<u>\$1,179,950</u>	<u>\$600,398</u>	<u>\$1,780,348</u>

On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit which was filed as the result of an accident involving a District bus. The amount of the judgement at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgement. Future requirements to retire this debt at June 30, 2000, are as follows:

Fiscal Year Ending June 30,	Payments
2001	\$161,410
2002	166,252
2003	171,240
2004	176,377
2005	181,668
2006 - Thereafter	4,476,524
Total	<u>\$5,333,471</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

Payments on above obligations are deducted from the School District's monthly Foundation payments by the State. The monthly deductions equal one-twelfth of two-thousandths or 2 mills of the School District's total taxable value reported for the lesser of 25 years or a period equal to the number of years required to pay off the loan, commencing July of 1998. District voters approved a 2 mill operating levy to replace the funds deducted from the monthly foundation settlements.

Compensated absences and the intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

17. STATUTORY RESERVES

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. The amount for fiscal year 2000 was 3% of previous year qualifying general fund revenue. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

The School District is also required to set aside money for budget stabilization, which for fiscal year 2000 was 1% of previous year qualifying general fund revenue, if the growth in a school district's average daily membership does not exceed the growth in qualifying general fund revenue for fiscal year 1998 to fiscal year 1999. The School District did have a growth in average daily membership greater than the growth of qualifying revenue.

The following cash basis information describes the change in the year-end set-aside amounts for textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	<u>Textbooks</u>	<u>Acquisition</u>	<u>Stabilization</u>	<u>Totals</u>
Set-aside Cash Balance as of June 30, 1999	\$0		\$77,420	\$77,420
Current Year Set-aside Requirement	\$141,204	\$141,204		282,408
Current Year Offsets		(141,204)		(141,204)
Qualifying Disbursements	<u>(141,204)</u>	<u> </u>	<u> </u>	<u>(141,204)</u>
Set-aside Cash Balance as of June 30, 2000	<u> </u>	<u> </u>	<u>\$77,420</u>	<u>\$77,420</u>

Amounts of current year offsets and qualifying expenditures presented in the table were limited to those necessary to reduce the year end balance to zero. The School District had additional current year offsets, for capital improvements of \$39,165, and additional qualifying expenditures, for textbooks of \$124,439 and capital improvements of \$383,670, during the year.

18. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the School District as of and for the fiscal year ended June 30, 2000.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$287,868	\$31,801	\$319,669
Operating Expenses before Depreciation	435,187	42,331	477,518
Depreciation	11,629		11,629
Operating Loss	(158,948)	(10,530)	(169,478)
Donated Commodities	35,048		35,048
Operating Grants	92,864		92,864
Interest Revenue	443		443
Interest Expense	2,320		2,320
Net Loss	(32,913)	(10,530)	(43,443)
Net Working Capital	(54,362)	7,110	(47,252)
Total Assets	133,166	11,519	144,685
Total Equity	45,848	7,110	52,958
Encumbrances Outstanding at June 30, 2000	33	11,518	11,551

19. JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The 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, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert, and Wood 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 school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street, Lima, Ohio 45804.

Vantage Joint Vocational School

The Vantage Career Center is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

20. GROUP PURCHASING POOL

Paulding County School Insurance Consortium

The Paulding County School Insurance Consortium is a Consortium of 3 local school districts: Antwerp Local, Paulding Exempted Village, and Wayne Trace Local. The insurance group is overseen by consultant Jake Cox with Celaris Group. Financial information can be obtained from Jake Cox, Celaris Group, 523 2nd St. Defiance, OH 43512.

OSBA Workers' Compensation Group Rating Plan

The District participates in a group rating plan for workers' compensation as established under Ohio Revised Code Section 4123.29. The OSBA Workers' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as an insurance pool. The Board of Directors of the Ohio School Board Association Workers' Compensation Plan has designated the Executive Director or his designee shall serve as the coordinator of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

21. SCHOOL FOUNDATION PROGRAM

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's Legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "School Foundation Program", which provides significant monetary support to the District. During the fiscal year ended June 30, 2000, the District received \$3,762,307 of school foundation support for its General Fund.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Supreme Court rendered an opinion on this issue. The Supreme Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled". The Supreme Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision; however, it found seven "...major areas warrant further attention, study, and development by the Ohio General Assembly...", including the State's reliance on local property tax funding; the State's basic aid formula; the school foundation program, as discussed above; the mechanism for, and adequacy of, funding for school facilities; and the existence of the State's School Solvency Assistance Fund, which the Supreme Court found took the place of the unconstitutional emergency school loan assistance program.

The Supreme Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000
(Continued)**

22. 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, 2000.

B. Litigation

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

23. SUBSEQUENT EVENTS

In fiscal year 2001, the District to was approved for a grant from the Ohio School Facilities Commission for a \$19,306,617 building construction and renovation project. The project will be financed by a \$15,638,617 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$3,668,000. The bond issue will be repaid from the proceeds of a 3.38 mill tax levy approved by the voters of the District on November 7, 2000.

The Board of Education also approved the debt issuance of \$2,003,626 at 6% for 28 years which will be used for construction costs of new administrative offices, a gym and additional classrooms which are not included in the Classroom Facility Grant. The electors approved a 1.65 mill tax levy to repay this debt.

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
UNITED STATES DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
Nutrition Cluster:		
Food Distribution Program	-	10.550
School Breakfast Program	05-PU-00	10.553
National School Lunch Program	04-PU-00	10.555
Total Department of Agriculture - Nutrition Cluster		
UNITED STATES DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	C1-S1-99	84.010
	C1-S1-00	84.010
Total Title I Grants		
Technology Literacy Challenge Fund Grant	TF-S2-98	84.318
	TF-24-99	84.318
	TF-25-99	84.318
Total Technology Literacy Challenge Fund Grant		
Goals 2000-State and Local Education Systemic Improvement	GS-S2-99	84.276
Safe and Drug Free Schools and Communities State Grant	DR-S1-00	84.186
Innovative Educational Program Strategies	C2-S1-99	84.298
	C2-S1-00	84.298
Total Innovative Education Program		
Class Size Reduction	CR-S1-00	84.340
Total Department of Education		

Totals

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$18,657		\$19,167
\$10,543		\$10,543	
77,855		77,855	
<u>88,398</u>	<u>18,657</u>	<u>88,398</u>	<u>19,167</u>
4,796		49,656	
129,061		109,227	
<u>133,857</u>		<u>158,883</u>	
37,500		43,786	
25,000		37,500	
<u>62,500</u>		<u>81,286</u>	
5,000		5,000	
5,158		5,158	
848		848	
6,308		5,253	
<u>7,156</u>		<u>6,101</u>	
23,824		23,824	
<u>237,495</u>		<u>280,252</u>	
<u>\$325,893</u>	<u>\$18,657</u>	<u>\$368,650</u>	<u>\$19,167</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

One Government Center
Room 1420
Toledo, Ohio 43604-2246
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800-443-9276
Facsimile 419-245-2484
www.auditor.state.oh.us

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

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

We have audited the financial statements of Wayne Trace Local School District, Paulding County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 25, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2000-10263-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated January 25, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 25, 2001.

Wayne Trace Local School District
Paulding County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

Jim Petro
Auditor of State

January 25, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9361

To the Board of Education:

Compliance

We have audited the compliance of Wayne Trace Local School District, Paulding County, Ohio, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2000. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2000.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 25, 2001.

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

Jim Petro
Auditor of State

January 25, 2001

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

FINDING NUMBER 2000-10263-001

Ohio Revised Code § 5705.10 states money paid into any fund shall be used only for the purposes for which the fund was established. The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. Although there were no funds with deficit cash balances at fiscal year end, the following funds were found to have deficit balances sometime during fiscal year 2000 by a maximum of the amounts listed:

**FINDING NUMBER 2000-10263-001
(Continued)**

	<u>Fund</u>	<u>Maximum deficit at anytime throughout the year</u>
006	Food Service Fund	\$33,346
300-9201	Girls Summer League Fund	\$634
401	Local Professional Development Fund	\$261
572-9200	Title I, FY 2000 Fund	\$13,676
599-9200	Miscellaneous Federal Grant Fund	\$1,066
599-9300	Title VI-R Grant Fund	\$8,728

We recommend the District make transfers or advances from the General Fund, or reduce planned expenditures as necessary to avoid deficit balances.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1999-10263-001	ORC § 5705.10 deficit fund cash.	No	Finding has not been corrected and is repeated in this report.
1999-10263-002	ORC § 135.18 deposits not insured or collateralized throughout the year.	No	Significant improvement made that reduced this from a report citation to a management letter comment.



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WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 20, 2001**