



**Auditor of State
Betty Montgomery**

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Wayne Trace Local School District
Paulding County
4915 U.S. Highway 127
Haviland, Ohio 45851-9738

To the Board of Education:

We have audited the accompanying financial statements of the Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 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.

During fiscal year 2004 the District changed its method of accounting from generally accepted accounting principals to an other comprehensive basis of accounting. Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2 and 3, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit entity wide information on governmental activities and business type activities, major fund disclosures, assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States, the financial position of the Wayne Trace Local School District, Paulding County, as of June 30, 2004, or the results of its operations or its cash flows for the year then ended.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2004 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.

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

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

Betty Montgomery
Ohio Auditor of State

December 14, 2004

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2004**

Cash and Cash Equivalents	<u><u>\$ 5,002,265</u></u>
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CASH BALANCES BY FUND TYPE

Governmental Fund Types:	
General Fund	\$ 521,547
Special Revenue Funds	303,035
Debt Service Funds	510,141
Capital Projects Funds	3,606,524
Proprietary Fund Type:	
Enterprise Funds	23,043
Fiduciary Fund Type:	
Agency Funds	<u>37,975</u>
Total	<u><u>\$ 5,002,265</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	Governmental Fund Types	
	General	Special Revenue
Cash receipts:		
Property tax and other local taxes	\$ 2,166,651	\$ 39,101
Intergovernmental	4,452,620	411,420
Tuition	264,004	-
Earnings on investments	28,941	202
Extracurricular Activities	-	140,290
Classroom Materials and Fees	16,318	-
Miscellaneous	206,513	50,085
Total cash receipts	<u>7,135,047</u>	<u>641,098</u>
Cash disbursements:		
Instruction		
Regular	3,560,293	148,098
Special	645,100	278,376
Vocational Education	131,711	-
Other Instruction	61,738	-
Supporting Services		
Pupils	330,665	6,346
Instructional Staff	246,162	30,222
Board of Education	92,203	-
Administration	685,156	33,030
Fiscal Services	179,474	4,571
Operation and Maintenance of Plant	626,673	-
Pupil Transportation	399,862	-
Central	802	-
Non-Instructional Services	-	25,834
Extracurricular Activities	162,056	131,103
Facilities Acquisition and Construction	-	-
Debt Service:		
Principal Retirement	175,636	-
Interest and Fiscal Charges	135	-
Total cash disbursements	<u>7,297,666</u>	<u>657,580</u>
Total receipts over/(under) disbursements	<u>(162,619)</u>	<u>(16,482)</u>
Other financing receipts and (disbursements):		
Sale of Fixed Assets	650	-
Transfers-In	117,455	19,440
Transfers-Out	(120,001)	(16,894)
Advances-In	22,085	26,522
Advances-Out	(58,522)	(22,085)
Refund of Prior Year Expenditures	-	-
Refund of Prior Year Receipts	-	(6,508)
Total other financing receipts/(disbursements)	<u>(38,333)</u>	<u>475</u>
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(200,952)	(16,007)
Fund cash balances, July 1	722,499	319,042
Fund cash balances, June 30	<u>\$ 521,547</u>	<u>\$ 303,035</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Governmental Fund Types		Totals
Debt Service	Capital Projects	(Memorandum Only)
\$ 487,245	\$ 184,939	\$ 2,877,936
52,645	3,155,257	8,071,942
-	-	264,004
11,273	272,020	312,436
-	-	140,290
-	-	16,318
-	264	256,862
<u>551,163</u>	<u>3,612,480</u>	<u>11,939,788</u>
-	10,850	3,719,241
-	-	923,476
-	-	131,711
-	-	61,738
-	-	337,011
-	-	276,384
-	-	92,203
-	3,427	721,613
15,611	3,020	202,676
-	3,824	630,497
-	-	399,862
-	-	802
-	-	25,834
-	1,122	294,281
-	10,882,134	10,882,134
-	-	-
290,000	-	465,636
234,121	-	234,256
<u>539,732</u>	<u>10,904,377</u>	<u>19,399,355</u>
<u>11,431</u>	<u>(7,291,897)</u>	<u>(7,459,567)</u>
-	4,814	5,464
-	-	136,895
-	-	(136,895)
-	-	48,607
-	-	(80,607)
-	44,615	44,615
-	(143,972)	(150,480)
<u>-</u>	<u>(94,543)</u>	<u>(132,401)</u>
11,431	(7,386,440)	(7,591,968)
498,710	10,992,964	12,533,215
<u>\$ 510,141</u>	<u>\$ 3,606,524</u>	<u>\$ 4,941,247</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating cash receipts:			
Food Services	\$ 255,151	\$ -	\$ 255,151
Classroom Materials and Fees	23,168	-	23,168
Extracurricular Activities	-	151,820	151,820
	<u>278,319</u>	<u>151,820</u>	<u>430,139</u>
Operating cash disbursements:			
Personal Services	161,400	-	161,400
Employees Retirement and Insurance	28,956	-	28,956
Purchased Services	5,433	60,201	65,634
Supplies and Materials	263,194	91,889	355,083
Capital Outlay	15,871	-	15,871
	<u>474,854</u>	<u>152,090</u>	<u>626,944</u>
Operating loss	<u>(196,535)</u>	<u>(270)</u>	<u>(196,805)</u>
Non-operating cash receipts:			
Intergovernmental receipts	124,115	-	124,115
Earnings on Investments	175	-	175
Miscellaneous	-	150	150
	<u>124,290</u>	<u>150</u>	<u>124,440</u>
Excess of disbursements over receipts before interfund advances	(72,245)	(120)	(72,365)
Advances-In	<u>32,000</u>	<u>-</u>	<u>32,000</u>
Net disbursements over receipts	(40,245)	(120)	(40,365)
Fund cash balances, July 1	<u>63,288</u>	<u>38,095</u>	<u>101,383</u>
Fund cash balances, June 30	<u>\$ 23,043</u>	<u>\$ 37,975</u>	<u>\$ 61,018</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL COMPARISON
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Governmental Fund Types:			
General Fund	\$ 7,289,675	\$ 7,253,152	\$ (36,523)
Special Revenue Funds	716,977	660,538	(56,439)
Debt Service Funds	558,449	551,163	(7,286)
Capital Projects Funds	4,888,708	3,661,909	(1,226,799)
Proprietary Fund Type:			
Enterprise Funds	<u>460,800</u>	<u>402,609</u>	<u>(58,191)</u>
Total (Memorandum Only)	<u><u>\$ 13,914,609</u></u>	<u><u>\$ 12,529,371</u></u>	<u><u>\$ (1,385,238)</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2004**

	Prior Year Carryover <u>Appropriations</u>	2004 <u>Appropriations</u>
Governmental Fund Types:		
General Fund	\$ 117,752	\$ 7,775,850
Special Revenue Funds	49,241	774,457
Debt Service Fund	-	578,614
Capital Projects Funds	11,023,306	4,204,921
Proprietary Fund Type:		
Enterprise Funds	<u>722</u>	<u>504,871</u>
Total (Memorandum Only)	<u><u>\$ 11,191,021</u></u>	<u><u>\$ 13,838,713</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

<u>Total</u>	<u>Actual 2004 Disbursements</u>	<u>Encumbrances Outstanding at 6/30/2004</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 7,893,602	\$ 7,417,667	\$ 85,467	\$ 7,503,134	\$ 390,468
823,698	680,982	33,867	714,849	108,849
578,614	539,732	-	539,732	38,882
15,228,227	11,048,349	2,277,899	13,326,248	1,901,979
<u>505,593</u>	<u>474,854</u>	<u>1,224</u>	<u>476,078</u>	<u>29,515</u>
<u>\$ 25,029,734</u>	<u>\$ 20,161,584</u>	<u>\$ 2,398,457</u>	<u>\$ 22,560,041</u>	<u>\$ 2,469,693</u>

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

1. DESCRIPTION OF THE ENTITY

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

The School District was established in 1971. The School District serves an area of approximately 178 square miles consisting of the Villages of Payne and Grover Hill, and portions of Benton, Harrison, Blue Creek, Paulding, Latty, and Washington Townships. The School District is the 454th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 53 non-certificated employees, 68 certificated full-time teaching personnel who provide services to 1,147 students and other community members.

The District's management believes these financial statements present all activities for which the District is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation - Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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

GOVERNMENTAL FUND TYPES

Governmental funds are those through which most governmental functions of the District are financed. The following are the District's governmental fund types:

General Fund – The General Fund is the operating fund of the 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 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 expendable trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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 or trust funds).

PROPRIETARY FUND TYPES

Proprietary funds are used to account for the District's ongoing activities which are similar to those found in the private sector.

Enterprise Fund – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds consist of agency funds.

B. 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.

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.

Budget

The requirement to submit a budget of estimated cash receipts and disbursements to the Paulding County Auditor, as secretary of the Paulding County Budget Commission, by January 20, for the period July 1 to June 30 of the following year, has been waived by Paulding County.

Estimated Resources

The Paulding County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30 the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

financial statements do not include July 1, 2003, unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

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.

Encumbrances

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. 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 appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

C. Property, Plant, and Equipment

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

D. Unpaid Vacation and Sick Leave

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

E. Cash and Investments

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2004, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal securities, and no load mutual funds. All investments of the District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute and Board resolution.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

3. ACCOUNTING CHANGE

During fiscal year 2004, the District changed its method of accounting from generally accepted accounting principles to a basis in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. In addition, according to the Uniform School Accounting System Manual, the fund classification of the Interactive Video Distance Learning Fund 458 was changed from a capital project fund to a special revenue fund for fiscal year 2004. The combined affect on the excess of revenues over/(under) disbursements/expenditures as previously reported, although potentially material, cannot be determined at this time. These changes had the following affect on fund balances as previously reported:

Fund Type	Fund Balance/Equity		Adjusted Balances at 7/1/2003
	as Previously Reported at 6/30/03	Adjustments	
General	\$ 598,196	\$ 124,303	\$ 722,499
Special Revenue	289,006	30,036	319,042
Debt Service	569,206	(70,496)	498,710
Capital Projects	9,792,237	1,200,727	10,992,964
Enterprise	91,021	(27,733)	63,288
Agency	-	38,095	38,095

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

4. COMPLIANCE

The District did not certify all funds as required by Ohio Revised Code 5705.41(D).

Appropriations exceeded estimated revenue certified as available by the budget commission in seven funds throughout fiscal year 2004 in amounts ranging from \$637 to \$7,610,768 and in the following funds at year end:

June 30, 2004	Estimated Revenues	Appropriations	Variance
Special Revenue Fund 401 - ODE	\$ 52,689	\$ 54,189	\$ (1,500)
Special Revenue Fund 459 - Ohio Reads	33,925	37,762	(3,837)
Special Revenue Fund 572 - Title I	214,741	220,809	(6,068)

5. CASH AND INVESTMENTS

State statutes classify monies held by the 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 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 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.

Protection of Districts deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, 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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$ 600 in undeposited cash on hand.

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 District's deposits was \$4,664,969 and the bank balance was \$4,985,205. Of the bank balance, \$202,360 was covered by federal depository insurance and \$4,758,433 was covered by securities held by the pledging financial institution's trust department in the District's name, the remainder was covered by pooled collateral.

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name. STAR Ohio and no load money market mutual funds are unclassified investments since they are not evidenced by securities which exist in physical or book entry form.

Included in the total amount of the District's investments are escrow monies of \$335,011, for contract requirements related to the District's building project, which have been placed in no load mutual funds.

The carrying amount of cash and investments at June 30 was as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Demand deposits	\$ 4,664,969
STAR Ohio	1,685
No load mutual funds	<u>335,011</u>
<i>Total investments</i>	336,696
Cash on hand	<u>600</u>
<i>Total cash, deposits, and investments</i>	<u><u>\$ 5,002,265</u></u>

6. PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2004, was \$38.03 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$29.05 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$29.82 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2004, was \$38.03 per \$1,000 of assessed valuation.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Real Property Valuation	
Residential/Agricultural	\$ 64,742,660
Commercial/Industrial	6,600,540
Public Utilities	95,690
Tangible Personal Property Valuation	
General	2,909,274
Public Utilities	8,192,780
<i>Total Valuation</i>	\$ 82,540,944

The Paulding County Treasurer collects property tax on behalf of all taxing districts within the District. The Paulding County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the District.

7. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2004, the District contracted with Ohio Schools Risk Sharing Authority for property, fleet, and liability insurance.

Coverage's provided by the District's insurance carrier's are as follows:

Bodily Injury and Property Damage	\$ 1,000,000
Personal Injury/Advertising Liability	1,000,000
Products/Completed Operations	1,000,000
Per Campus Annual Aggregate	1,000,000
General Annual Aggregate	300,000
Fire Legal Liability	500,000
Medical Payments Acc/Agg	1,000/5,000
Errors or Omissions Cover	1,000,000
Owned/Leased Vehicles	1,000,000
Medical Payments (Acc/Agg)	1,000/5,000
Uninsured Motorist	50,000
Automobile Physical Damage	100,000
Catastrophic Coverage	3,583,169
Employee Dishonesty/Faithful Performance of Duty	50,000

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Forgery or Alteration	50,000
Computer Fraud	50,000
Theft, Disappearance and Destruction	50,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2003.

8. RETIREMENT SYSTEMS

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's official and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent of participants' gross salaries. SERS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2004.

9. DEBT OBLIGATIONS

The following is a description of the District bonds outstanding as of June 30, 2004:

	Principal Outstanding 06/30/03	Additions	Deductions	Principal Outstanding 06/30/04
School Improvement Bonds 1998				
Current interest bonds 1998, (serial) 3.70% - 4.25%	\$ 115,000	\$ -	\$ 115,000	\$ -
Capital appreciation bonds 1998, 14.95% - 15.25%	397,145	62,893	-	460,038

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

	Principal Outstanding 06/30/03	Additions	Deductions	Principal Outstanding 06/30/04
School Improvement Bonds 2001				
Current interest bonds 2001, (serial) 3.25% - 4.45%	1,780,000	-	175,000	1,605,000
Current interest bonds 2001, (term) 5.00% - 5.20%	3,250,000	-	-	3,250,000
Capital appreciation bonds 2001, 13.01732%-13.01735%	274,145	27,078	-	301,223
Judgments Loan Payable	4,835,799	-	175,636	4,660,163
<i>Total General Long-Term Obligations</i>	<u>\$10,689,891</u>	<u>\$89,971</u>	<u>\$465,636</u>	<u>\$10,314,592</u>

School Improvement Bonds - 1998

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 percent. The District will make biannual payments through fiscal year 2010.

Current Interest Bonds 1998 (Serial) - The Current Interest Bonds mature on December 1, 2003.

Capital Appreciation Bonds 1998 - The Capital Appreciation Bonds will mature in fiscal years 2004 through 2009. The maturity amounts of the bonds are \$125,000 from 2004 through 2008, and \$120,000 for 2009. The accreted value of the Capital Appreciation Bonds as of June 30, 2004 is \$460,038. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

School Improvement Bonds - 2001

The District issued \$5,671,625 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bonds were issued on May 1, 2001. The bond issue included serial, term, and capital appreciation bonds in the amounts of \$2,205,000, \$3,250,000, and \$216,625, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

Current Interest Bonds 2001 (Serial) - The Current Interest Bonds mature on December 1, 2011. The remaining principle amount to be redeemed as of June 30, 2003 is \$1,605,000.

Current Interest Bonds 2001 (Term) - The Current Interest Bonds maturing on December 1, 2018 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
2015	\$ 245,000
2016	\$ 255,000
2017	\$ 265,000

Unless otherwise called for redemption, the remaining \$280,000 principal amount of the Bonds due December 1, 2018 is to be paid at stated maturity.

The Current Interest Bonds maturing on December 1, 2023 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2019, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Year	Principal Amount to be Redeemed
2019	\$ 295,000
2020	\$ 305,000
2021	\$ 325,000
2022	\$ 340,000

Unless otherwise called for redemption, the remaining \$355,000 principal amount of the Bonds due December 1, 2023 is to be paid at stated maturity.

The Current Interest Bonds maturing on December 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Principal Amount to be Redeemed
2024	\$ 105,000
2025	\$ 110,000
2026	\$ 115,000
2027	\$ 125,000

Unless otherwise called for redemption, the remaining \$130,000 principal amount of Bonds due December 1, 2028 is to be paid at stated maturity.

Capital Appreciation Bonds 2001 - The Capital Appreciation Bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2004 is \$301,223. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt, including notes outstanding at June 30, 2004, are as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Fiscal Year Ending June 30,	School Improvement Bonds for Year 1998	School Improvement Bonds for Year 2001	Total General Obligation Bonds
2005	\$ 125,000	\$ 403,702	\$ 528,702
2006	125,000	402,490	527,490
2007	125,000	405,830	530,830
2008	125,000	403,515	528,515
2009	125,000	400,812	525,812
2010-2014	120,000	2,032,333	2,152,333
2015-2019	-	2,032,850	2,032,850
2020-2024	-	2,022,850	2,022,850
2025-2028	-	679,640	679,640
<i>Total future payments</i>	745,000	8,784,022	9,529,022
Total Bond accreted	255,088	84,599	249,715
Less: Amount representing interest	540,050	3,712,398	4,489,544
<i>Total</i>	<u>\$ 460,038</u>	<u>\$ 5,156,223</u>	<u>\$ 5,289,193</u>

Judgment Loan Payable

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 School District bus. The amount of the judgment 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 judgment. Future requirements to retire this debt at June 30, 2003, are as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Fiscal Year Ending June 30,	Payments
2005	\$ 182,102
2006	187,565
2007	193,192
2008	198,988
2009	204,958
2010-2014	1,120,792
2015-2019	1,299,306
2020-2024	1,273,260
<i>Total</i>	\$ 4,660,163

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.

10. LOCAL INCOME TAX

The District levies a voted tax of .75% for general operations on the income of residents and of estates. 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund, however 30 percent of the revenue is earmarked for permanent improvement.

11. SET ASIDE REQUIREMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2004.

	Instructional Materials	Capital Maintenance
Balance June 30, 2003	\$ (229,788)	\$ -
Required set-aside	137,652	137,652
Off-sets		(137,652)
Qualifying expenditures	(98,876)	-
Balance June 30, 2004	\$ (191,012)	\$ -
Balance carried forward to FY 2005	\$ (191,012)	\$ -

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

12. STATE SCHOOL FUNDING DECISION

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

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

13. SUBSEQUENT EVENTS

On November 2, 2004, the voters of the District approved an additional .5% income tax on the income of individuals and estates for the purpose of continuing operations. The tax is continuing tax effective January 1, 2005.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

14. CONTRACTUAL COMMITMENTS

As of June 30, 2004, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Bowen & Washington & Regency	\$ 157,134
Brint Electric Total	19,969
Bruns Design & Development	44,554
Central Fire Protection Total	40,608
Chambers & Controls	35,870
Continental Office Environment Total	43,982
Corporate Construction	504,258
Engineered Systems	58,696
Fanning & Howey Total	63,220
Ferguson Construction	188,093
Frost & Company Total	113,499
Holcomb	69,548
J-Tec Inc. Total	24,003
Ohio Plumbing	27,516
Schumm Plumbing Total	42,071
Shambaugh & Associates	18,784
Wadsworth & Assoc. Total	44,240
Warner Mechanical	76,163
Woolace Electric	71,129
Office Max	3,732
Strable Paving	30,105
Miracle Recreation	50,781
Pomeroy Inc	229,903
Data Eclipse	143,808
Woolace Electric	7,597
<i>Grand Total</i>	<u><u>\$ 2,109,263</u></u>



**Auditor of State
Betty Montgomery**

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

Wayne Trace Local School District
Paulding County
4915 U.S. Highway 127
Haviland, Ohio 45851-9738

To the Board of Education:

We have audited the financial statements of the Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated December 14, 2004, in which we disclosed the District's financial statements did not conform with accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect 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 instances of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. We also noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated December 14, 2004.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting 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 the District's management in a separate letter dated December 14, 2004

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



Betty Montgomery
Ohio Auditor of State

December 14, 2004

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2004-001

Noncompliance Citation

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

Ohio Administrative Code § 117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code § 117.38 the District may be fined and subject to various other administrative remedies for its failure to file the required financial report.

We recommend the District take the necessary steps to ensure the annual financial report is prepared on a generally accepted accounting principles basis.

FINDING NUMBER 2004-002

Noncompliance Citation

Ohio Revised Code § 5705.41(D), states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

FINDING NUMBER 2004-002
(Continued)

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- 1. "Then and Now" certificate** – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board can authorize the drawing of a warrant for the payment of the amount due. The Board has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Board.

- 2. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- 3. Super Blanket Certificate** – The Board may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-eight percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the District followed the aforementioned exceptions. Failure to certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2004-002
 (Continued)**

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of District funds being over expended or exceeding budgetary spending limitations as set by the Board. To improve controls over disbursements, we recommend all District disbursements received prior certification of the Treasurer and the Board periodically review the expenditures made to ensure they are within the appropriations adopted by the Board, certified by the Treasurer, and recorded against appropriations.

FINDING NUMBER 2004-003

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditure from that fund as certified by the budget commission in the certificate of estimated resources. Appropriations exceeded estimated revenue certified as available by the budget commission in seven funds throughout fiscal year 2004 in amounts ranging from \$637 to \$7,610,768 and in the following funds at year end:

<u>June 30, 2004</u>	<u>Estimated Revenues</u>	<u>Appropriations</u>	<u>Variance</u>
Special Revenue Fund 401 - ODE	\$ 52,689	\$ 54,189	\$ (1,500)
Special Revenue Fund 459 - Ohio Reads	33,925	37,762	(3,837)
Special Revenue Fund 572 - Title I	214,741	220,809	(6,068)

We recommend the District compare planned appropriations to estimated resources prior to approving or amending appropriations and either reduce the planned appropriations or amend estimated resources as needed to avoid approving appropriations in excess of estimated resources.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC § 5705.41(D) failure to certify funds	No	Not corrected. Repeated as Finding 2004-002
2003-002	ORC § 5705.41(B) expenditures exceeding appropriations	No	Improvement has been made reducing this to a management letter comment.



**Auditor of State
Betty Montgomery**

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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
DECEMBER 30, 2004**