



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2007



Mary Taylor, CPA
Auditor of State

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

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

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

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, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

Mary Taylor, CPA
Auditor of State

January 22, 2008

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

This discussion and analysis provides key information from management highlighting the financial performance of the Wayne Trace Local District ("the District") for the year ended June 30, 2007. This is meant to be an easily readable summary of the most important financial information regarding the accompanying financial statements. Please read it in conjunction with the District's financial statements.

Financial Highlights

Key financial highlights for 2007 are as follows:

- Net assets of governmental activities increased \$997,767, or 28%.
- General receipts accounted for \$8,354,343 in revenue or 78% of all receipts. The District's general receipts are primarily taxes and grants and entitlements not restricted to specific programs. These receipts represent 35% and 41%, respectively, of the total revenue received from governmental activities during the fiscal year.
- Total program expenses were \$9,703,438.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board (GASB) Statement 34, as applicable to the District's cash basis of accounting. The statements are organized so the reader can understand the Wayne Trace Local School District as a whole, entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. For fiscal year 2007, the General Fund, Debt Service Fund, Permanent Improvements Fund, and the Classroom Facilities Fund are the most significant funds.

Basis of Accounting

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2007?" The Statement of Net Assets and the Statement of Activities answer this question.

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

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the District's programs and services, including instruction, support services, operation and maintenance of plant (buildings), pupil transportation, extracurricular activities, and food service operations. The District has no business-type activity.

Reporting the District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds include the General Fund, Debt Service Fund, Permanent Improvements Fund, and the Classroom Facilities Fund.

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

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. These funds are not reflected in the government-wide financial statements because the resources are not available to support the District's own programs.

Reporting the School District's Fiduciary Responsibilities

The District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in the Statement of Fiduciary Net Assets. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

The District as a Whole

This year's financial statements were prepared on the cash basis utilizing the GASB Statement No. 34 presentation. Table 1 provides a summary of the District's net assets for 2007 and 2006.

**(Table 1)
Net Assets –Cash basis**

	Governmental Activities	
	2007	2006
ASSETS		
Cash & cash equivalents	\$ 4,619,326	\$ 3,621,559
Total Assets	\$ 4,619,326	\$ 3,621,559
NET ASSETS		
Restricted:		
Capital Outlay	\$ 1,280,783	\$ 1,347,053
Debt Service	581,374	542,709
Other Purposes	435,455	504,849
Unrestricted	2,321,714	1,226,948
Total Net Assets	\$ 4,619,326	\$ 3,621,559

Net assets of the governmental activities increased \$997,767, which represents a 28% increase over fiscal year 2006. The increase is the result of increased grants and contributions and income tax receipts.

A portion of the District's net assets, \$2,297,612, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$2,321,714 may be used to meet the District's ongoing obligations.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Table 2 shows the changes in net assets for fiscal year 2007 as compared to fiscal year 2006.

**(Table 2)
Governmental Activities**

	2007 Governmental Activities	2006 Governmental Activities
Receipts		
<i>Program Receipts</i>		
Charges for Services	\$ 882,947	\$ 807,005
Operating Grants	1,305,123	807,068
Capital Grants	158,792	106,807
<i>General Receipts</i>		
Property Taxes	2,346,910	2,345,074
Income Taxes	1,424,542	1,082,560
Grants and Entitlements	4,417,725	4,813,568
Other	165,166	265,819
Total Receipts	10,701,205	10,227,901
 <i>Program Disbursements</i>		
Instruction	4,822,931	4,741,551
Support Services	3,236,419	3,033,385
Non-Instructional	23,961	21,190
Operation of Food Services	422,661	424,942
Extracurricular	458,585	415,076
Refund of Prior Year Receipts	21	
Capital Outlay	33,089	259,906
Repayment of Debt	705,771	700,028
Total Disbursements	9,703,438	9,596,078
 Increase in Net Assets	\$ 997,767	\$ 631,823

Governmental Activities

Program receipts of \$2,346,862 represent 22 percent of the total governmental activities receipts of \$10,701,205.

The government relies on general receipts to fund the majority of the cost of services provided to the students. Of these general receipts, 45 percent (\$3,771,452) comes from tax levies and 53 percent (\$4,417,725) is from state and federal funding. The District's operations are reliant upon its tax levies and the state's foundation program.

Approximately 24 percent of the disbursements of the general government programs were recouped through program receipts. Instruction costs were \$4,822,931, or 50 percent of disbursements, but program receipts contributed to fund 28.5 percent of those costs. Thus, general revenues of \$3,446,279 were used to support the remainder of the instruction costs.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services for fiscal years 2007 and 2006.

**(Table 3)
Governmental Activities**

	<u>2007</u>		<u>2006</u>	
	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>	<u>Total Cost of Service</u>	<u>Net Cost of Service</u>
Instruction	\$ 4,822,931	\$ 3,446,279	\$ 4,741,551	\$ 3,711,281
Support Services:				
Pupil and Instructional Staff	548,683	498,161	663,359	569,477
Board of Education, Administration, and Fiscal	1,215,778	1,189,725	1,087,477	1,081,458
Operation and Maintenance of Plant	879,379	748,944	778,476	777,876
Pupil Transportation	591,769	539,467	503,503	494,470
Central	810	810	570	570
Non-Instructional	23,961	(1,712)	21,190	(6,989)
Operation of Food Services	422,661	16,843	424,942	151,767
Extracurricular Activities	458,585	286,664	415,076	233,128
Refund of Prior Year Receipts	21	21		
Capital Outlay	33,089	14,244	259,906	162,132
Repayment of Debt	705,771	617,130	700,028	700,028
Total	<u>\$ 9,703,438</u>	<u>\$ 7,356,576</u>	<u>\$ 9,596,078</u>	<u>\$ 7,875,198</u>

Instruction and student support services comprise 55% of governmental program expenditures. Board of Education, fiscal and administration charges were 13%. Fiscal expenditures include payments to the County Auditors for administrative fees and other administrative services provided by the District. Pupil transportation and the operation and maintenance of facilities accounts for 15% of governmental program expenditures. The repayment of debt was mostly attributable to the outstanding bonds.

The dependence upon tax receipts and unrestricted State entitlements for governmental activities is apparent.

The School District's Funds

The District has four major governmental funds: the General Fund, Debt Service Fund, Permanent Improvements Fund, and the Classroom Facilities Fund. Receipts of the General Fund comprise \$8,815,877 (83 percent) of the total \$10,594,284 governmental funds receipts and 78 percent of the total expenses for the governmental funds. Receipts of the Debt Service Fund comprise \$581,389 (5 percent) of that same total and 5.6 percent of total expenses. The Capital Projects Fund generated \$48,655 (less than 1 percent) in receipts and utilized 2 percent of the total governmental disbursements. The Classroom Facilities Fund had less than 1 percent of the total receipts and disbursements. Other financing sources and uses have not been included in the comparisons above.

General Fund – The General Fund cash balance at June 30, 2007 was \$2,321,714 which represents 50 percent of total governmental fund cash balances for fiscal year 2007. General fund receipts were more than disbursements by \$1,094,766 mostly due to a large increase in income taxes as well as increases in intergovernmental, interest and tuition and fees receipts.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the general fund. The statement comparing the District's original and final budgets and actual results, for the General Fund, is presented as part of the basic financial statements.

During the course of fiscal year 2007, the District amended its general fund budget to reflect changing circumstances. The District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

The differences between the final budgeted receipts and original budgeted receipts were insignificant. General Fund actual receipts were less than final budgeted receipts by \$16,457. The differences between final appropriated disbursements and original budgeted appropriations were insignificant. Actual disbursements were more than the final budgeted disbursements by \$32,003, or 0.4%.

Capital Assets and Debt Administration

Capital Assets - The District's financial statements are prepared on the cash basis of accounting and thus, capital assets acquired by the District are recorded as disbursements and have not been capitalized.

Debt - At June 30, 2007, the District's outstanding debt included two bond issues totaling \$5,008,745 for the improvement and construction of new school facilities. During fiscal year 2007, the District paid principal of \$315,000 on the school facility bond issues.

The District entered into a loan agreement with the State of Ohio to pay for an adverse decision in a lawsuit against the District. In the lawsuit filed against the District, the judgment was for \$5,618,561 and as of June 30, 2007, \$1,486,828 had been paid, leaving an outstanding balance of \$4,131,733.

Further information on these debt instruments can be found at Note 7 in the notes to the basic financial statements.

Economic Factors

The District, like all other taxing entities in the State of Ohio, faces the uncertainty of the economy. The District's operating revenue is composed primarily of property taxes and a local income tax. With a weak economy, these reserves can fluctuate in great amounts from year to year.

As for expenses, the District faces continued significant increases in the cost of health care for its employees. The District also faces an increasing number of children requiring special education and services. Charges to provide these services increase every year. The District has faced these challenges the last few years by making cuts to its budget and services offered.

Current Issues

The District continues to receive strong support from the residents of the District. As the preceding information shows, the District relies heavily on its local property taxpayers. In spring of 2006, the Board of Education submitted a .75% Income Tax that was renewed for 5 years by vote by the residents.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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

Real estate and personal property tax collections have shown small increases. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, Districts dependent upon property taxes are hampered by a lack of revenue growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 22% of receipts for governmental activities for the Wayne Trace Local District in fiscal year 2007 and 23% in fiscal year 2006.

The District has also been affected by increased delinquency rates and changes in the personal property tax structure (utility deregulation) and commercial business/property uncertainties. Management has diligently planned expenses so that the last levy has stretched for longer than it was planned. This has been made increasingly difficult with mandates in gifted education, rising utility costs, increased special education services required for our students, and significant increases in health insurance and property/liability/fleet insurance.

From a State funding perspective, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional education system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed its tax revenue growth toward Districts with little property tax wealth (which is unlike our District). It is still undetermined whether the State has met the standards of the Ohio Supreme Court. The District has not anticipated any meaningful growth in State revenue. The concern is that, to meet the requirements of the Court, the State may require redistribution of state funding based upon each district's property wealth. This could have a significant impact on the District.

Another District concern is the State Legislative approval of the biennial budget which had a negative impact on the District. How the legislature plans to fund educational programs during a weakened economy remains a concern.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Treasurer's office at the Wayne Trace Local District, 4915 U.S. Highway 127, Haviland, Ohio 45851-9738.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Net Assets - Cash Basis
June 30, 2007*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 4,619,326</u>
<i>Total Assets</i>	<u><u>\$ 4,619,326</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 581,374
Capital Outlay	1,280,783
Other Purposes	435,455
Unrestricted	<u>2,321,714</u>
<i>Total Net Assets</i>	<u><u>\$ 4,619,326</u></u>

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Statement of Activities - Cash Basis
For the Fiscal Year Ended June 30, 2007**

		Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
Current:					
Instruction:					
Regular	\$ 3,688,625	\$ 423,581	\$ 417,704		\$ (2,847,340)
Special	917,605		480,183		(437,422)
Vocational	158,338		55,184		(103,154)
Other	58,363				(58,363)
Support services:					
Pupils	316,861		7,443		(309,418)
Instructional staff	231,822		43,079		(188,743)
Board of education	97,896				(97,896)
Administration	889,064	19,094	5,602		(864,368)
Fiscal	228,818		1,357		(227,461)
Operation and maintenance of plant	879,379		42,790	87,645	(748,944)
Pupil transportation	591,769			52,302	(539,467)
Central	810				(810)
Non-Instructional Services	23,961	25,673			1,712
Operation of Food Services	422,661	242,678	163,140		(16,843)
Extracurricular activities	458,585	171,921			(286,664)
Refund of Prior Year Receipts	21				(21)
Capital outlay	33,089			18,845	(14,244)
Debt service:					
Principal	493,598		88,641		(404,957)
Interest	212,173				(212,173)
Total Governmental Activities	\$ 9,703,438	\$ 882,947	\$ 1,305,123	\$ 158,792	(7,356,576)
General Receipts					
Property Taxes Levied for:					
General Purposes					1,813,502
Debt Service					492,747
Building Maintenance					40,661
Income Taxes					1,424,542
Proceeds from Sale of Capital Assets					8,909
Grants and Entitlements not Restricted to Specific Programs					4,417,725
Interest					122,481
Miscellaneous					33,776
Total General Revenues					8,354,343
Change in Net Assets					997,767
Net Assets Beginning of Year					3,621,559
Net Assets End of Year					\$ 4,619,326

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Cash Basis Assets and Fund Balances
Governmental Funds
June 30, 2007*

	General Fund	Debt Service Fund	Permanent Improvements Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 2,321,714	\$ 581,374	\$ 769,189	\$ 511,594	\$ 435,455	\$ 4,619,326
<i>Total Assets</i>	<u>\$ 2,321,714</u>	<u>\$ 581,374</u>	<u>\$ 769,189</u>	<u>\$ 511,594</u>	<u>\$ 435,455</u>	<u>\$ 4,619,326</u>
Fund Balances						
Reserved for:						
Encumbrances	\$ 148,365		\$ 116,901	\$ 511,594	\$ 32,486	\$ 809,346
Designated for:						
Severance and Termination					35,374	35,374
Unreserved, Undesignated, Reported in:						
General Fund	2,173,349					2,173,349
Special Revenue Funds					367,595	367,595
Debt Service Funds		581,374				581,374
Capital Projects Funds			652,288			652,288
<i>Total Fund Balances</i>	<u>\$ 2,321,714</u>	<u>\$ 581,374</u>	<u>\$ 769,189</u>	<u>\$ 511,594</u>	<u>\$ 435,455</u>	<u>\$ 4,619,326</u>

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2007*

	General Fund	Debt Service Fund	Permanent Improvements Fund	Classroom Facilities Fund	All Other Governmental Funds	Total Governmental Funds
Receipts						
Taxes:						
Property and Other Local Taxes	\$ 1,813,502	\$ 492,747			\$ 40,661	\$ 2,346,910
Income Taxes	1,424,542					1,424,542
Intergovernmental	4,997,473	56,500			614,289	5,668,262
Interest	106,299	29,387	\$ 48,655	\$ 16,182	13,254	213,777
Tuition and Fees	423,281				25,673	448,954
Rent	300					300
Extracurricular Activities					186,694	186,694
Gifts and Donations					4,382	4,382
Customer Sales and Services					247,000	247,000
Miscellaneous	50,480	2,755			228	53,463
Total Receipts	8,815,877	581,389	48,655	16,182	1,132,181	10,594,284
Disbursements						
Current:						
Instruction:						
Regular	3,488,223		14,321		186,081	3,688,625
Special	666,585				251,020	917,605
Vocational	148,381				9,957	158,338
Other	50,290				8,073	58,363
Support Services:						
Pupils	285,125				31,736	316,861
Instructional Staff	198,635				33,187	231,822
Board of Education	97,896					97,896
Administration	836,033	45			52,986	889,064
Fiscal	207,320	15,506	1,821		4,171	228,818
Operation and Maintenance of Plant	712,175		43,419		123,785	879,379
Pupil Transportation	460,086		121,302		10,381	591,769
Central	725				85	810
Non-Instructional Services					23,961	23,961
Operation of Food Services					422,661	422,661
Extracurricular Activities	251,193		33,135		174,257	458,585
Capital Outlay	640		18,845	13,604		33,089
Debt Service:						
Principal	178,598	315,000				493,598
Interest		212,173				212,173
Total Disbursements	7,581,905	542,724	232,843	13,604	1,332,341	9,703,417
<i>Excess of Receipts Over (Under) Disbursements</i>	<i>1,233,972</i>	<i>38,665</i>	<i>(184,188)</i>	<i>2,578</i>	<i>(200,160)</i>	<i>890,867</i>
Other Financing Sources (Uses)						
Transfers In			115,069		51,169	166,238
Advances In	25,600					25,600
Proceeds from Sales of Capital Assets			8,909			8,909
Insurance Proceeds			450		96,130	96,580
Refund of Prior Year Expenditures	1,432					1,432
Transfers Out	(166,238)					(166,238)
Advances Out					(25,600)	(25,600)
Refund of Prior Year Receipts					(21)	(21)
Total Other Financing Sources (Uses)	(139,206)		124,428		121,678	106,900
Net Change in Fund Balances	1,094,766	38,665	(59,760)	2,578	(78,482)	997,767
Fund Balance at Beginning of Year	1,226,948	542,709	828,949	509,016	513,937	3,621,559
Fund Balance at End of Year	\$ 2,321,714	\$ 581,374	\$ 769,189	\$ 511,594	\$ 435,455	\$ 4,619,326

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Cash Receipts, Disbursements and Changes In Fund Balance
Budget and Actual - Budget Basis
General Fund
For the Fiscal Year Ended June 30, 2007*

	Original Budget	Final Budget	Actual	Variance with Final Budget
Receipts				
Taxes:				
Property and Other Local Taxes	\$ 1,774,895	\$ 1,813,502	\$ 1,813,502	
Income Taxes	1,127,667	1,424,542	1,424,542	
Intergovernmental	5,015,442	4,997,474	4,997,473	\$ (1)
Interest	75,000	154,755	106,299	(48,456)
Tuition and Fees	344,207	442,061	423,281	(18,780)
Rent	800		300	300
Miscellaneous	17,800		50,480	50,480
Total Receipts	8,355,811	8,832,334	8,815,877	(16,457)
Disbursements				
Current:				
Instruction:				
Regular	3,778,125	3,938,190	3,597,307	340,883
Special	648,058	601,082	668,835	(67,753)
Vocational	161,177	120,927	148,566	(27,639)
Other	76,567	98,327	50,980	47,347
Support Services:				
Pupils	310,417	256,383	285,125	(28,742)
Instructional Staff	286,875	252,431	198,635	53,796
Board of Education	36,499	89,852	99,218	(9,366)
Administration	681,610	549,640	845,530	(295,890)
Fiscal	205,573	384,337	208,256	176,081
Operation and Maintenance of Plant	838,329	686,419	735,076	(48,657)
Pupil Transportation	471,487	394,204	461,586	(67,382)
Central	1,160	1,000	725	275
Extracurricular Activities:				
Sport Oriented Activities	168,908	146,875	219,193	(72,318)
School and Public Service Co-Curricular Activity			32,000	(32,000)
Capital Outlay:				
Building Acquisition and Construction Services			640	(640)
Debt Service:				
Principal	178,598	178,600	178,598	2
Total Disbursements	7,843,383	7,698,267	7,730,270	(32,003)
Excess of Receipts Over Disbursements	512,428	1,134,067	1,085,607	(48,460)
Other Financing Sources (Uses)				
Transfers In				
Advances In	25,000	56,700	25,600	(31,100)
Refund of Prior Year Expenditures		1,432	1,432	
Transfers Out	(115,069)	(172,338)	(166,238)	6,100
Advances Out	(100,000)	(25,000)		25,000
Total Other Financing Sources (Uses)	(190,069)	(139,206)	(139,206)	
Net Change in Fund Balances	322,359	994,861	946,401	(48,460)
Fund Balance at Beginning of Year	1,145,276	1,145,276	1,145,276	
Prior Year Encumbrances Appropriated	81,672	81,672	81,672	
Fund Balance at End of Year	\$ 1,549,307	\$ 2,221,809	\$ 2,173,349	\$ (48,460)

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

*Statement of Fiduciary Net Assets - Cash Basis
Fiduciary Funds
June 30, 2007*

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 24,992
<i>Total Assets</i>	<u>\$ 24,992</u>
Net Assets	
Held in Trust for:	
Employees	\$ 1,070
Students	23,922
<i>Total Net Assets</i>	<u>\$ 24,992</u>

See accompanying notes to the basic financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The District was established in 1971. The 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. It is staffed by 50 non-certificated employees, 65 certificated full-time teaching personnel who provide services to 1,015 students and other community members.

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

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

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

The District is associated with four jointly governed organizations and two insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Regional Professional Development Center, West Central Ohio Special Education Regional Resource Center, Paulding County School Consortium's Employee Insurance Benefits Plan, Vantage Vocation School, OASBO/Sheakley Workers' Compensation Group Rating Program, and the Ohio School Plan. These organizations are presented in Notes 12 and 13 of the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C., these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the fiduciary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Following are the more significant of the District's accounting policies.

A. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Assets and Statement of Activities display information about the District as a whole. The statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The Statement of Net Assets presents the financial condition of the governmental activities of the District at fiscal year-end. The Statement of Activities compares disbursements with program receipts for each program or function of the District's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the government is responsible. Program receipts include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the District with certain limited exceptions. The comparison of disbursements with program receipts identifies the extent to which each governmental function is self-financing or draws from the general receipts of the District.

FUND FINANCIAL STATEMENTS

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

B. Fund Accounting

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

General Fund - The General Fund is the primary operating fund of the District and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

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

Permanent Improvement Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities.

Classroom Facilities Fund – This fund is used to account for the specific receipts to be used for new classroom facilities.

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

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 include agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

C. Basis of Accounting

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles in the United States of America. The District recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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

D. 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 of each fund. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Advances in and advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

Tax Budget

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as Secretary of the County Budget Commission, by January 20 of each year, for the period July 1 to June 30 of the following fiscal year. As permitted by state statute, the County Budget Commission waived the requirement that the District adopt and submit a tax budget.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Estimated Resources

The 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 fiscal 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 financial statements do not include July 1, 2006 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 for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire fiscal year, including amounts automatically carried forward from prior fiscal years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board of Education during the fiscal year.

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. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

During 2007, the District invested in nonnegotiable certificates of deposits, STAROhio, and government securities. Investments are reported at cost, except for 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, 2007.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts for the General Fund during fiscal year 2007 were \$106,299, which includes \$61,989 credited from other funds.

F. Capital Assets

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

G. Accumulated 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 cash basis of accounting used by the District.

H. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as cash when received and payment of principal and interest are reported as disbursements when paid.

I. Intergovernmental Receipts

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received.

J. Inventory and Prepaid Items

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

K. Interfund Receivables/Payables

The District reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

L. Interfund Transactions

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

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

M. Employer Contributions to Cost-Sharing Pension Plans

The District recognizes disbursements for employer contributions to cost-sharing plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted.”

Net assets restricted for other purposes include resources restricted for public school support programs, food service operations, athletic programs, employee termination benefits, classroom facilities and maintenance tax levy proceeds, and federal and state grants restricted to cash disbursement for specified purposes. The District’s policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There were not any assets restricted by enabling legislation as of June 30, 2007.

FUND FINANCIAL STATEMENTS

Governmental fund equity is classified as fund balance.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

The District records reservations for portions of fund balances 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 balance reserves are established for encumbrances. The designation for severance and termination benefits represent revenue set aside for severance and termination benefit payments to eligible employees.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year end (budgetary basis) amounted to:

General Fund	\$148,365
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NOTE 4 - DEPOSITS 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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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;

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

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 or Ohio local governments;
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 (STAROhio); STAROhio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAROhio 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;
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
8. Under certain 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 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of District cash and deposits is provided by the Federal Deposit Insurance Corporation, as well as qualified securities pledged by the institution holding the assets. The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all uninsured public monies deposited in the financial institution whose market value at all times shall be at least 105 percent of the deposits being secured.

At fiscal year end, the carrying amount of the District's deposits was \$3,334,521 and the bank balance was \$3,468,970. Of the bank balance, \$2,761,700 was exposed to custodial credit risk because it was uninsured and collateralized with securities. Although the securities serving as collateral were held by the pledging financial institution's trust department in the District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the Federal Deposit Insurance Corporation.

As of June 30, 2007, the District has \$2,600 in undeposited cash on hand. This amount is included in cash and cash equivalents.

Investments

As of June 30, 2007, the District had the following investments:

<u>Investments</u>	<u>Carrying Value</u>	<u>% of Investment Balance</u>
Federal Home Loan Bank Bonds	\$ 100,000	7.65
Federal National Mortgage Assn. Bonds	400,000	30.60
STAROhio	807,197	61.75
Totals	\$ 1,307,197	100.00%

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

	<u>Carrying Value</u>	<u>Investment Maturities (in years)</u>	
		<u>0-1</u>	<u>1-5</u>
Federal Home Loan Bank Bonds	\$100,000		\$100,000
Federal National Mortgage Assn. Bonds	400,000		400,000
STAR Ohio	807,197	\$807,197	
Total Investments	\$1,307,197	\$807,197	\$500,000

Interest Rate Risk

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

The District's investments at June 30, 2007, in Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds and STAR Ohio are rated AAA by Standard & Poor's.

Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Bank Bonds and Federal National Mortgage Association Bonds are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the District's name. The District has no investment policy dealing with investment custodial risk beyond the requirements of ORC 135.14(M)(2) which states, "Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk

The District places no limit on the amount the district may invest in any one issuer, however State statute limits investments in commercial paper and bankers' acceptances to 25% of the interim monies available for investment at any one time. More than 5 percent of the District's investments are in Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds and STAR Ohio. These investments are 30.60%, 7.65% and 61.75%, respectively, of the District's total investments for the amounts listed above.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First half distributions are received by the District in the second half of the fiscal year. 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 District. Real property taxes received in calendar year 2007 represent the collection of calendar year 2006 taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes received in calendar year 2007 were levied after April 1, 2006, on the assessed value listed as of the prior January 1, the lien date. 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.

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

Tangible personal property tax receipts received in calendar year 2007 (other than public utility property) represent the collection of calendar year 2007 taxes. Tangible personal property taxes received in calendar year 2007 were levied after April 1, 2006, on the value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Paulding, Van Wert and Putnam County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2007, are available to finance fiscal year 2007 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

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

Collections	2006 Second-Half Collections		2007 First-Half	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 35,648,170	85%	\$ 36,181,700	83%
Public Utility	4,687,565	11	5,831,175	14
Tangible Personal Property	<u>1,697,652</u>	<u>4</u>	<u>1,428,813</u>	<u>3</u>
Total Assessed Value	<u>\$ 42,033,387</u>	<u>100%</u>	<u>\$ 43,441,688</u>	<u>100%</u>
Tax rate per \$1,000 of assessed valuation	\$38.03		\$38.03	

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 6 - INCOME TAX

The District levies a tax of 1.25 percent for general operations on the income of residents and of estates. Of the overall 1.25 percent taxes, .75 percent is a 5 year renewable tax, last renewed in May, 2006 for FY07 taxes; .5 percent of the income tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 7 – DEBT OBLIGATIONS

Debt obligations of the District at June 30, 2007, consisted of the following:

	Principal Outstanding 6/30/06	Additions	Deductions	Principal Outstanding 6/30/07	Due Within One Year
1998 Capital Appreciation Bonds Rate 14.95-15.25%	\$ 374,226	\$ 49,929	\$ 125,000	\$ 299,155	\$125,000
2001 School Improvement Bonds Current Interest Bonds (Serial) Rate 3.25-4.45%	1,250,000		190,000	1,060,000	195,000
Current Interest Bonds (Term) Rate 5.00-5.20%	3,250,000			3,250,000	
Capital Appreciation Bonds Rate 13.01732-13.01735%	363,669	35,921		399,590	
Judgments Loan Payable	4,310,331		178,598	4,131,733	183,956
Total Debt Obligation	\$9,548,226	\$ 85,850	\$ 493,598	\$ 9,140,478	\$503,956

1998 Capital Appreciation Bonds - The Capital Appreciation Bonds mature in fiscal years 2007 through 2010. The maturity amounts of the bonds are \$125,000 from fiscal years 2007 through 2009, and \$120,000 for 2010. The accreted value of the Capital Appreciation Bonds as of June 30, 2007, is \$299,155. Capital Appreciation Bonds are not subject to redemption prior to maturity. The proceeds from these bonds were used to refinance bonds issued in 1991 for school building improvements. The debt will be retired with a voted tax levy from the debt service fund.

2001 School Improvement Bonds - 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. Detail of the various bonds is listed below:

2001 Current Interest Bonds (Serial) - The Current Interest Bonds were issued for an eleven fiscal year period with final maturity on December 1, 2012. The remaining principle amount to be redeemed as of June 30, 2007, is \$1,060,000.

2001 Current Interest Bonds (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:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 7 – DEBT OBLIGATIONS – (Continued)

Fiscal year Ending June 30,	Principal
2016	\$ 245,000
2017	255,000
2018	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 in fiscal year 2019.

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:

Fiscal year Ending June 30,	Principal
2020	\$ 295,000
2021	305,000
2022	325,000
2023	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:

Fiscal year Ending June 30,	Principal
2025	\$ 105,000
2026	110,000
2027	115,000
2028	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.

2001 Capital Appreciation Bonds - The Capital Appreciation Bonds will mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2007, is \$399,590. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 7 – DEBT OBLIGATIONS – (Continued)

Payment requirements to retire general obligation debt, including notes outstanding at June 30, 2007 are as follows:

Fiscal Year Ending June 30,	1998 School Improvement Bonds	2001 School Improvement Bonds		Interest	Total
		Current Interest	Capital Appreciation		
2008	\$ 116,198	\$ 195,000		\$ 213,466	\$ 524,664
2009	100,339	200,000		221,373	521,712
2010	82,618	215,000		225,426	523,044
2011		220,000		178,690	398,690
2012		230,000		168,787	398,787
2013- 2017		500,000	\$ 399,590	1,129,010	2,028,600
2018- 2022		1,470,000		516,850	1,986,850
2023- 2027		1,025,000		162,005	1,187,005
2028- 2029		255,000		13,390	268,390
Total	<u>\$ 299,155</u>	<u>\$4,310,000</u>	<u>\$ 399,590</u>	<u>\$2,828,997</u>	<u>\$7,837,742</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 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, 2007, are as follows:

Fiscal year Ending June 30,	Judgment Loan
2008	\$ 183,956
2009	189,475
2010	195,159
2011	201,014
2012	207,044
2013-2017	1,132,201
2018-2022	1,312,532
2023-2024	710,352
Total	<u>\$ 4,131,733</u>

Payments on above obligations are deducted from the District's monthly Foundation payments by the State. The monthly deductions are equal to one-twelfth of two-thousandths or 2 mills of the 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 8 - RISK MANAGEMENT

1. Property and Liability

The District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2007, the District contracted with Ohio School Plan for property, fleet, violence and liability insurance in the amounts as follows:

Bodily Injury and Property Damage	\$ 1,000,000
Personal Injury/Advertising Liability	1,000,000
Products/Completed Operations Aggregate Limit	1,000,000
General Annual Aggregate	3,000,000
Fire Legal Liability	500,000
Medical Payments Any One Person	10,000
Medical Payments Any One Accident	10,000
Errors or Omissions	1,000,000
Errors or Omissions Aggregate	3,000,000
Employment Practices Liability	1,000,000
Employment Practices Liability Aggregate	3,000,000
Owned/Leased Vehicles	4,000,000
Medical Payments	5,000
Uninsured Motorist	1,000,000
Automobile Physical Damage	Actual Cash Value
Property Blanket Limit	39,918,736
Employee Dishonesty/Faithful Performance of Duty	50,000
Forgery or Alteration	50,000
Computer Fraud	50,000
Money & Securities- In	50,000
Money & Securities- Out	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.

2. Health Care Benefits

The District participates in the Paulding County Insurance Consortium. Paulding County Insurance Consortium is a council of governments for a shared risk purchase of Life and Health Benefits. The consortium self insures up to \$75,000 per individual and purchases excess coverage through Anthem Insurance.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 8 - RISK MANAGEMENT – (Continued)

3. Workers' Compensation

The District participates in the Sheakley Worker's Compensation Group Rating Program (GRP), and insurance purchasing pool (Note 13). The intent of the GRP is to achieve the benefit of a reduced premium GRP. The worker's compensation experience of the participating Districts is calculated as one experience and a common premium rate is applied to all Districts in the GRP. Each participant pays its workers' compensation premium to the Cooperative based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to Districts that can meet the GRP's selection criteria.

NOTE 9 - DEFINED BENEFIT PENSION PLANS

A. 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 basic retirement and disability benefits based on eligible service credit to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 E. Broad St., Columbus, OH 43215-3771 or by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

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

Upon termination of a reemployed member, or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. Effective April 11, 2005, a reemployed retiree may alternatively receive a refund of member contributions with interest before age 65, once employment is terminated.

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salary. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. The contribution requirement of plan members and the District are established and may be amended by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for obligations to STRS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$316,808, \$308,758, and \$308,461, respectively; 87 percent has been contributed for fiscal year 2007 and 100 percent has been contributed for fiscal years 2006 and 2005. Contributions to the DC and Combined Plans for fiscal year 2007 were \$647 made by the District and \$5,557 made by the plan members.

B. School Employees Retirement System

The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing SERS, 300 E. Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853, or on their website at www.ohsers.org.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary 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 contribution for obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005, were \$109,559, \$108,424, and \$104,383 respectively. The District has paid all contributions required through June 30, 2007.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 9 - DEFINED BENEFIT PENSION PLANS – (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the State Teachers Retirement System or the School Employees Retirement System have an option to choose Social Security or the State Teachers Retirement System/School Employees Retirement System. As of June 30, 2007, one of the Board of Education members is not covered by either STRS or SERS.

NOTE 10 - POST EMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retirees who participated in the DB or Combined Plans and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund.

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

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability, and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

Healthcare benefits are financed on a pay-as-you-go basis. The target level for the health care fund is 150 percent of projected claims less premium contributions for the next fiscal year. Net health care costs for the fiscal year ended June 30, 2006 (the latest information available), were \$158,751,207. As of June 30, 2006, SERS had net assets available for payment of health care benefits of \$295.6 million, which is about 221% of next year's projected net health care costs. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has 59,492 participants eligible to receive benefits.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 11 - STATUTORY RESERVES

The District is required by state law to set aside certain general fund receipt amounts, as defined, into various reserves. During the fiscal year ended June 30, 2007, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve
Set-Aside Balance as of June 30, 2006	\$ (58,928)	
Required Set-Aside	145,820	\$ 145,820
Offset		(160,733)
Qualifying Disbursements	(137,690)	(33,749)
Balance June, 30, 2007	\$ (50,798)	\$ (48,662)
Balance Carried Forward to FY08	\$ (50,798)	

The District had qualifying disbursements during the year that reduced the Textbook set-aside amount to below zero. Also, Ohio Revised Code Section 3315.17 allows for the extra amount to carry over into future years for textbooks. For capital acquisitions, the extra amount can not be used to reduce the set aside requirements of future years.

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative (NOACSC) is a jointly governed organization among forty-seven Districts. The jointly governed 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 Districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

The NOACSC Assembly consists of a representative from each participating District and the superintendent from the fiscal agent. The Board of Directors consists of the superintendent from the fiscal agent, the two Assembly members from each county in which participating Districts are located. The degree of control exercised by any participating District is limited to its representation of the Board. Financial information can be obtained by contacting Ray Burden, who serves as Director, at 645 South Main Street, Lima, Ohio 45804.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS –(Continued)

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

Vantage Vocational School - The Vantage Vocational School is a distinct political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each of the participating Districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information, write to the Vantage Vocational School, Lori Davis, who serves as Treasurer, at 818 North Franklin Street, Van Wert, Ohio 45891.

NOTE 13 - GROUP PURCHASING POOL

Paulding County School Consortium's Employee Insurance Benefits Program - The District participates in the Paulding County School Consortium's Employee Insurance Benefits Program (Program), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Program is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program to maintain adequate insurance protection and provide risk management programs and other administrative services for medical and dental insurance coverage to the employees of the participants. Each participant's superintendent is appointed to a Board of Directors which advises the Trustee, Sky Financial, concerning aspects of the administration of the Program. Members are Antwerp Local Schools, Paulding Exempted Village Schools and Wayne Trace Local Schools. Monies are paid monthly to Reliance Financial Services which holds and invests funds for the Consortium and makes payments to Anthem Insurance which acts as the TPA for administration of the policies.

Each participant decides which plans offered by the Board of Directors will be extended to its employees. Participation in the Program is by written application subject to acceptance by the Board of Directors and payment of the monthly premiums. Financial information can be obtained from Rob Wannemacher, 4915 US Rt. 127, Havilland, Ohio 45851.

OASBO/Sheakley Workers' Compensation Group Rating Plan - The District participates in a group rating plan (GRP) for workers' compensation as established under Ohio Revised Code Section 4123.29. The Group Rating Plan was established through the OASBO/Workers' Compensation Group Rating Plan as a group insurance purchasing pool. The GRP's business and affairs are conducted by a twenty-five member Board of Directors consisting of two representatives from each county elected by a majority vote of all charter member schools within each county plus one representative from the fiscal agency A-site. Each year, the participating Districts pay an enrollment fee to cover the costs of administering the program.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 13 - GROUP PURCHASING POOL – (Continued)

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

NOTE 14 - TRANSFERS

A. Interfund Transfers

During the year ended June 30, 2007, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General		\$166,238
Permanent Improvement Fund	\$115,069	
All Other Governmental		
Rebuild and Restore Fund	1,139	
TANF Grant Fund	30	
Severance and Termination Benefits Fund	50,000	
Total All Other Government	<u>\$51,169</u>	
Total All	<u>\$166,238</u>	<u>\$166,238</u>

Transfers from the General Fund were made to move unrestricted balances to support programs and projects accounted for in other funds. The transfer to the Permanent Improvement Fund was made to move income tax monies.

B. Interfund Advances

Several short term loans were made in 2006 from the General Fund to the E-Tech Competitive Grant fund \$10,000, High Schools that Work Grant fund \$1,600, Positive Behavior Support Special Education Grant fund \$2,500, Project Access Grant fund \$5,000 and to the Title II-A Grant fund \$6,500. In 2007, the General fund was repaid \$25,600 for these loans.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2007
(Continued)**

NOTE 15 - CONTINGENCIES

Grants

The 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 are 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 District at June 30, 2007.

NOTE 16 – CONTRACTUAL COMMITMENTS

At June 30, 2007, the District had the following outstanding contractual commitments:

<u>Contractor/Vendor</u>	<u>Amount</u>	<u>Description</u>
County Electric	\$ 99,800	Ball field lights



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 22, 2008, wherein, we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' Government Auditing Standards.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated January 22, 2008.

Compliance and Other Matters

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

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 22, 2008.

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

We intend this report solely for the information and use of the audit committee, management, and Board of Education. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 22, 2008

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2007

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

FINDING NUMBER 2007-001

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 generally accepted accounting principles. The District prepares its financial statements in accordance with the cash basis of accounting in a report format similar to the requirements of Governmental Accounting Standards Board Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between this accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the District take the necessary steps to ensure that the financial report is prepared in accordance with generally accepted accounting principles.

Officials Response: Management believes reporting on a basis of accounting other than generally accepted accounting principles (GAAP) is more cost efficient.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2006-001	Revised Code § 117.38- filing of reports on a GAAP basis	No	Not Corrected. Reissued as finding 2007-001
Finding 2006-002	Revised Code § 121.22 (A) and (C)- finding for recovery against district officials based on board approved rates.	Yes	Finding repaid under audit.



Mary Taylor, CPA
Auditor of State

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 15, 2008**