



Dave Yost • Auditor of State



**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

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# Dave Yost • 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 the Wayne Trace Local School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2010, 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 the Wayne Trace Local School District, Paulding County, Ohio, as of June 30, 2010, and the respective changes in cash financial position and the budgetary comparison for the General fund 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 24, 2011, 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.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditures schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The federal awards receipts and expenditures schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



**Dave Yost**  
Auditor of State

January 24, 2011

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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This discussion and analysis provides key information from management highlighting the financial performance of the Wayne Trace Local School District (the "District") for the year ended June 30, 2010. 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 2010 are as follows:

- ❑ Net assets of governmental activities increased \$880,503, or 14 percent
- ❑ General receipts accounted for \$8,510,457 or 78 percent of all receipts. The District's general receipts are primarily taxes and grants and entitlements not restricted to specific programs. These receipts represent 34 percent and 43 percent, respectively, of the total revenue received from governmental activities during the fiscal year.
- ❑ Total program disbursements were \$10,000,582

***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 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. 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 2010, the General Fund and Permanent Improvements 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 investments and changes in cash and investments resulting from cash receipt and disbursement transactions.

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

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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***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 2010?" 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*

The analysis of the District's major funds begins on page 6. 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 and Permanent Improvements 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 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 and Statement of Changes in Fiduciary Net Assets beginning on page 14. 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, 2010  
Unaudited*

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**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 comparative summary of the District's net assets for fiscal years 2010 and 2009.

**(Table 1)  
Net Assets – Cash basis**

	<b>Governmental Activities</b>	
	2010	2009
<b>ASSETS</b>		
Equity in Pooled Cash and Investments	\$ 7,154,703	\$ 6,271,132
Cash & Cash Equivalents with Fiscal Agents	2,904	5,972
<b>Total Assets</b>	<b>\$ 7,157,607</b>	<b>\$ 6,277,104</b>
<b>NET ASSETS</b>		
Restricted:		
Capital Outlay	\$ 1,489,778	\$ 1,389,113
Debt Service	538,639	560,154
Other Purposes	517,251	503,160
Unrestricted	4,611,939	3,824,676
<b>Total Net Assets</b>	<b>\$ 7,157,607</b>	<b>\$ 6,277,104</b>

Net assets of the governmental activities increased \$880,503 which represents approximately a 14 percent increase over fiscal year 2009. The increase is the result of well maintained and closely watched budgeting along with an increase of federal funding through the American Recovery and Reinvestment Act.

A portion of the District's net assets, \$2,545,668, represent resources subject to external restrictions on how they may be used. The remaining balance of the government-wide unrestricted net assets of \$4,611,939 may be used to meet the District's ongoing obligations.

Table 2 shows the changes in net assets for fiscal year 2010 as compared to fiscal year 2009.

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

**(Table 2)  
Governmental Activities – Cash Basis**

	<b>2010 Governmental Activities</b>	<b>2009 Governmental Activities</b>
<b>Receipts</b>		
<i>Program Receipts</i>		
Charges for Services	\$ 1,035,968	\$ 946,088
Operating Grants	1,306,554	1,209,671
Capital Grants	28,106	82,551
<i>General Receipts</i>		
Property Taxes	2,322,806	2,276,455
Income Taxes	1,344,169	1,447,866
Grants and Entitlements	4,724,503	4,476,067
Other	118,979	150,279
<b>Total Receipts</b>	<b>10,881,085</b>	<b>10,588,977</b>
<i>Program Disbursements</i>		
Instruction	4,859,018	4,808,954
Support Services	3,199,167	3,141,816
Non-Instructional	20,642	35,182
Operation of Food Services	455,701	443,349
Extracurricular	501,355	439,380
Capital Outlay	3,660	50,301
Repayment of Debt	717,942	718,465
Intergovernmental	243,097	240,078
<b>Total Disbursements</b>	<b>10,000,582</b>	<b>9,877,525</b>
<b>Increase in Net Assets</b>	<b>\$ 880,503</b>	<b>\$ 711,452</b>

**Governmental Activities**

The government relies on general receipts to fund the majority of the cost of services provided to the students. Of the general receipts, 43 percent (\$3,666,975) comes from tax levies and 56 percent (\$4,724,503) is from state and federal funding. The District's operations are reliant upon its tax levies and the state's foundation program.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services for fiscal years 2010 and 2009.

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

**(Table 3)  
Governmental Activities – Cash Basis**

	<u>2010</u>		<u>2009</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	\$ 4,859,018	\$ 3,682,341	\$ 4,808,954	\$ 3,781,658
Support Services:				
Pupil and Instructional Staff	766,551	696,199	549,361	523,849
Board of Education, Administration, and Fiscal	1,019,331	935,891	1,132,839	1,055,426
Operation and Maintenance of Plant	772,173	569,084	863,835	747,761
Pupil Transportation	632,992	458,668	595,117	524,536
Central	8,120	8,120	664	664
Non-Instructional	20,642	(1,094)	35,182	9,400
Operation of Food Services	455,701	18,873	443,349	25,635
Extracurricular Activities	501,355	318,801	439,380	285,106
Capital Outlay	3,660	(6,968)	50,301	36,934
Repayment of Debt	717,942	706,942	718,465	632,315
Intergovernmental	243,097	243,097	240,078	15,931
<b>Total</b>	<u><u>\$ 10,000,582</u></u>	<u><u>\$ 7,629,954</u></u>	<u><u>\$ 9,877,525</u></u>	<u><u>\$ 7,639,215</u></u>

Instruction and student support services comprise 56 percent of governmental program disbursements. Board of Education, fiscal and administration charges were 10 percent. Fiscal disbursements include payments to the County Auditor(s) for administrative fees and other administrative services provided by the District. Pupil transportation and the operation and maintenance of facilities accounts for 14 percent of governmental program disbursements. Debt service disbursements are attributable to the outstanding bonds.

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

**The District's Funds**

The District has two major governmental funds: the General Fund and Permanent Improvements Fund. Receipts of the General Fund comprise \$8,573,704 (79 percent) of the total \$10,867,733 governmental funds' receipts. The Permanent Improvements Fund generated \$17,478 (less than 1 percent) in receipts and utilized two percent of the total governmental disbursements. General Fund disbursements accounted for \$7,543,131 (75 percent) of the total \$10,000,582 governmental funds' disbursements.

**General Fund** – The General Fund cash balance at June 30, 2010 was \$4,554,185 which represents 64 percent of total governmental fund cash balances for fiscal year 2010. General fund receipts exceeded disbursements by \$729,509, mostly due to an increase in tuition and fees and previous general fund expenditures being funded with State Fiscal Stabilization moneys.

**Permanent Improvements Fund** – The Permanent Improvements Fund cash balance at June 30, 2010 was \$933,719 which represents 13 percent of total governmental fund cash balances for

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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fiscal year 2010. Permanent Improvements fund receipts were more than disbursements by \$92,848, mostly due to a decrease in regular instruction, administration and capital outlay disbursements.

**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 2010, 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 and final budgeted receipts and actual receipts were insignificant. The differences between final appropriated disbursements and original budgeted appropriations were approximately \$1,057,009; the budget was increased for anticipated expenses. The differences between final appropriated disbursements and actual appropriations were \$1,388,232; the differences are attributed to holding expenditures in check and anticipated expenditures not coming to fruition.

**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, 2010, the District's outstanding debt included a bond issues totaling \$4,230,078 for the improvement and construction of new school facilities. During fiscal year 2010, the District paid principal of \$215,000 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, 2010, \$2,061,446 had been paid.

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 receipts are 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 disbursements, 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.

**Wayne Trace Local School District  
Paulding County**

*Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2010  
Unaudited*

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***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.

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, school districts dependent upon property taxes are hampered by a lack of receipt growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 21%, 22% and 21% of receipts for governmental activities for the Wayne Trace Local School District in fiscal years 2010, 2009 and 2008, respectively.

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 disbursements 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 students, and increased health insurance and property/liability/fleet insurance.

Another District concern is the uncertainty brought about by the State Legislative approval of the biennial budget using one time federal funds. How the legislature plans to fund educational programs during a weakened economy and continuing on past the biennium 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 School District, 4915 U.S. 127, HaviLand, Ohio 45851.

**Wayne Trace Local School District  
Paulding County**

*Statement of Net Assets - Cash Basis  
June 30, 2010*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Investments	\$ 7,154,703
Cash and Cash Equivalents with Fiscal Agents	<u>2,904</u>
<i>Total Assets</i>	<u><u>\$ 7,157,607</u></u>
<b>Net Assets</b>	
Restricted for:	
Capital Outlay	\$ 1,489,778
Debt Service	538,639
Other Purposes	517,251
Unrestricted	<u>4,611,939</u>
<i>Total Net Assets</i>	<u><u>\$ 7,157,607</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, 2010**

	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets	
	Disbursements	Charges for Services and Sales	Operating Grants, Interest and Contributions	Capital Grants, Interest and Contributions	Governmental Activities
<b>Governmental Activities</b>					
Current:					
Instruction:					
Regular	\$ 3,898,755	\$ 371,385	\$ 280,383		\$ (3,246,987)
Special	811,385	46,033	447,736		(317,616)
Vocational	145,571		31,140		(114,431)
Student Intervention Services	722				(722)
Other	2,585				(2,585)
Support services:					
Pupils	475,542	36,116	14,335		(425,091)
Instructional staff	291,009		19,901		(271,108)
Board of education	29,515				(29,515)
Administration	740,657	78,716	3,040		(658,901)
Fiscal	249,159		1,684		(247,475)
Operation and maintenance of plant	772,173	48,379	154,710		(569,084)
Pupil transportation	632,992	34,463	122,383	\$ 17,478	(458,668)
Central	8,120				(8,120)
Non-Instructional Services	20,642	21,736			1,094
Operation of Food Services	455,701	216,586	220,242		(18,873)
Extracurricular activities	501,355	182,554			(318,801)
Capital outlay	3,660			10,628	6,968
Debt service:					
Principal	529,898		11,000		(518,898)
Interest	188,044				(188,044)
Intergovernmental	243,097				(243,097)
<b>Total Governmental Activities</b>	<b>\$ 10,000,582</b>	<b>\$ 1,035,968</b>	<b>\$ 1,306,554</b>	<b>\$ 28,106</b>	<b>(7,629,954)</b>

**General Receipts**

Property Taxes Levied for:		
General Purposes		1,845,110
Debt Service		437,740
Building Maintenance		39,956
Income Taxes		1,344,169
Grants and Entitlements not Restricted to Specific Programs		4,724,503
Interest		85,505
Miscellaneous		32,974
Proceeds from Sale of Capital Assets		500
<b>Total General Receipts</b>		<b>8,510,457</b>
<b>Change in Net Assets</b>		<b>880,503</b>
<b>Net Assets Beginning of Year</b>		<b>6,277,104</b>
<b>Net Assets End of Year</b>		<b>\$ 7,157,607</b>

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, 2010*

	<u>General Fund</u>	<u>Permanent Improvements Fund</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 4,554,185	\$ 933,719	\$ 1,666,799	\$ 7,154,703
Cash and Cash Equivalents with Fiscal Agents			2,904	2,904
<i>Total Assets</i>	<u>\$ 4,554,185</u>	<u>\$ 933,719</u>	<u>\$ 1,669,703</u>	<u>\$ 7,157,607</u>
<b>Fund Balances</b>				
Reserved for:				
Encumbrances	\$ 76,158	\$ 69,951	\$ 612,700	\$ 758,809
Unreserved, Designated for:				
Severance and Termination Benefits			57,754	57,754
Unreserved, Undesignated, Reported in:				
General Fund	4,478,027			4,478,027
Special Revenue Funds			454,114	454,114
Debt Service Funds			538,639	538,639
Capital Projects Funds		863,768	6,496	870,264
<i>Total Fund Balances</i>	<u>\$ 4,554,185</u>	<u>\$ 933,719</u>	<u>\$ 1,669,703</u>	<u>\$ 7,157,607</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, 2010*

	General Fund	Permanent Improvements Fund	All Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>				
Taxes:				
Property and Other Local Taxes	\$ 1,845,110		\$ 477,696	\$ 2,322,806
Income Taxes	1,344,169			1,344,169
Intergovernmental	4,686,015		1,326,759	6,012,774
Interest	85,505	\$ 17,478	28,159	131,142
Tuition and Fees	589,118		21,737	610,855
Rent	3,665			3,665
Extracurricular Activities			204,863	204,863
Gifts and Donations			750	750
Customer Sales and Services			216,587	216,587
Miscellaneous	20,122			20,122
<i>Total Receipts</i>	<u>8,573,704</u>	<u>17,478</u>	<u>2,276,551</u>	<u>10,867,733</u>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,571,946	36,872	289,937	3,898,755
Special	585,770		225,615	811,385
Vocational	143,841		1,730	145,571
Student Intervention Services			722	722
Other	2,585			2,585
Support Services:				
Pupils	459,572		15,970	475,542
Instructional Staff	270,052		20,957	291,009
Board of Education	29,515			29,515
Administration	717,787		22,870	740,657
Fiscal	230,588		18,571	249,159
Operation and Maintenance of Plant	615,618	24,702	131,853	772,173
Pupil Transportation	438,535	76,912	117,545	632,992
Central	8,120			8,120
Non-Instructional Services			20,642	20,642
Operation of Food Services			455,701	455,701
Extracurricular Activities	274,304	22,000	205,051	501,355
Capital Outlay		850	2,810	3,660
Debt Service:				
Principal	194,898		335,000	529,898
Interest			188,044	188,044
Intergovernmental			243,097	243,097
<i>Total Disbursements</i>	<u>7,543,131</u>	<u>161,336</u>	<u>2,296,115</u>	<u>10,000,582</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,030,573</u>	<u>(143,858)</u>	<u>(19,564)</u>	<u>867,151</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In		236,706	76,247	312,953
Advances In			1,463	1,463
Proceeds from Sales of Capital Assets	500			500
Refund of Prior Year Disbursements	12,852			12,852
Transfers Out	(312,953)			(312,953)
Advances Out	(1,463)			(1,463)
<i>Total Other Financing Sources (Uses)</i>	<u>(301,064)</u>	<u>236,706</u>	<u>77,710</u>	<u>13,352</u>
<i>Net Change in Fund Balances</i>	729,509	92,848	58,146	880,503
<i>Fund Balance at Beginning of Year</i>	<u>3,824,676</u>	<u>840,871</u>	<u>1,611,557</u>	<u>6,277,104</u>
<i>Fund Balance at End of Year</i>	<u>\$ 4,554,185</u>	<u>\$ 933,719</u>	<u>\$ 1,669,703</u>	<u>\$ 7,157,607</u>

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, 2010*

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Receipts</b>				
Taxes:				
Property and Other Local Taxes	\$ 1,759,583	\$ 1,845,110	\$ 1,845,110	
Income Taxes	1,382,328	1,344,169	1,344,169	
Intergovernmental	4,759,893	4,686,015	4,686,015	
Interest	90,000	85,717	85,505	\$ (212)
Tuition and Fees	510,558	589,118	589,118	
Rent	100	3,665	3,665	
Gifts and Donations	4,000			
Miscellaneous	14,000	20,122	20,122	
<b>Total Receipts</b>	<b>8,520,462</b>	<b>8,573,916</b>	<b>8,573,704</b>	<b>(212)</b>
<b>Disbursements</b>				
Current:				
Instruction:				
Regular	3,746,831	4,476,199	3,582,042	894,157
Special	560,020	812,509	609,775	202,734
Vocational	153,866	155,629	144,015	11,614
Student Intervention Services	10,000			
Other	26,850	54,340	2,585	51,755
Support Services:				
Pupils	432,104	444,386	459,694	(15,308)
Instructional Staff	267,029	268,035	270,237	(2,202)
Board of Education	41,596	45,730	29,515	16,215
Administration	762,511	767,787	728,913	38,874
Fiscal	244,858	245,686	230,815	14,871
Operation and Maintenance of Plant	752,434	771,977	641,144	130,833
Pupil Transportation	497,573	500,051	443,232	56,819
Central	1,659	8,261	8,120	141
Extracurricular Activities:				
Sport Oriented Activities	248,560	248,560	270,554	(21,994)
School and Public Service Co-Curricular Activity		3,750	3,750	
Debt Service:				
Principal	204,621	204,621	194,898	9,723
<b>Total Disbursements</b>	<b>7,950,512</b>	<b>9,007,521</b>	<b>7,619,289</b>	<b>1,388,232</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>569,950</b>	<b>(433,605)</b>	<b>954,415</b>	<b>1,388,020</b>
<b>Other Financing Sources (Uses)</b>				
Advances In	25,000	38,281	38,281	
Proceeds from Sale of Capital Assets		500	500	
Refund of Prior Year Disbursements		12,852	12,852	
Transfers Out	(298,820)	(323,820)	(312,953)	10,867
Advances Out	(10,000)	(32,000)	(39,744)	(7,744)
<b>Total Other Financing Sources (Uses)</b>	<b>(283,820)</b>	<b>(304,187)</b>	<b>(301,064)</b>	<b>3,123</b>
<b>Net Change in Fund Balances</b>	<b>286,130</b>	<b>(737,792)</b>	<b>653,351</b>	<b>1,391,143</b>
Fund Balance at Beginning of Year	3,764,563	3,764,563	3,764,563	
Prior Year Encumbrances Appropriated	60,113	60,113	60,113	
<b>Fund Balance at End of Year</b>	<b>\$ 4,110,806</b>	<b>\$ 3,086,884</b>	<b>\$ 4,478,027</b>	<b>\$ 1,391,143</b>

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, 2010*

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	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 2,907	\$ 36,555
<i>Total Assets</i>	<i>\$ 2,907</i>	<i>\$ 36,555</i>
<b>Net Assets</b>		
Held in Trust for:		
Scholarships	\$ 2,907	
Employees		\$ 1,258
Students		35,297
<i>Total Net Assets</i>	<i>\$ 2,907</i>	<i>\$ 36,555</i>

See accompanying notes to the basic financial statements.

**Wayne Trace Local School District  
Paulding County**

*Statement of Changes in Fiduciary Net Assets - Cash Basis  
Fiduciary Funds  
June 30, 2010*

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	<u>Private Purpose Trust Fund</u>
<b>ADDITIONS:</b>	
Gifts and Contributions	\$ 2,643
<b>DEDUCTIONS:</b>	
Payments in Accordance with Trust Agreements	<u>1,087</u>
<i>Change in Net Assets</i>	1,556
<i>Net Assets - Beginning of Year</i>	<u>1,351</u>
<i>Net Assets - End of Year</i>	<u>\$ 2,907</u>

See accompanying notes and accountant's compilation report

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 1 - DESCRIPTION OF THE 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 47 non-certificated employees and 65 certificated full-time teaching personnel who provide services to 1,156 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 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 one group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Ohio Special Education Regional Resource Center, West Central Ohio Regional Professional Development Center, Vantage Vocational School, and Paulding County School Consortium's Employee Insurance Benefits Program. These organizations are presented in Notes 12 and 13 of the financial statements.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. Basis of Presentation**

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.

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% 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% of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

Permanent Improvement Fund – This fund is used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 private purpose trust and agency funds. The District's private purpose trust fund accounts for a program that provides for community service activities. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The District's agency funds include various student-managed activities.

**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 selected by the Board is at the fund level for all funds. Any

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and at the function and object level within all other funds, are made by the Treasurer.

**Tax Budget**

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

**Estimated Resources**

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, 2009 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.



Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 Investments."

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 fiscal year 2010, the District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreements, STAROhio, Federal Home Loan Bank, and Federal National Mortgage Association. With the exception of STAROhio, investments are reported at cost basis. 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 STAROhio are valued at STAROhio's share price, which is the price the investment could be sold for on June 30, 2010.

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 2010 were \$85,505, which includes approximately \$31,101 interest assigned from other district 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.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**I. Intergovernmental Receipts**

Unrestricted intergovernmental receipts received on the basis of entitlement are recorded as receipts when the entitlement is received. Intergovernmental receipts and disbursements made on-behalf-of the District by the Western Buckeye Educational Service Center are recorded during the year.

**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.

**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, 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

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of June 30, 2010.

**FUND FINANCIAL STATEMENTS**

Governmental fund equity is classified as fund balance.

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 receipts set aside for severance and termination benefit payments to eligible employees.

**O. Receipts and Disbursements**

Program Receipts

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

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

Disbursements

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.

**P. Changes in Accounting Principle**

For the year ended June 30, 2010, the District has implemented GASB Statement No. 51, *"Accounting and Financial Reporting for Intangible Assets,"* GASB Statement No. 53, *"Accounting and Financial Reporting for Derivative Instruments,"* and GASB Statement No. 58, *"Accounting and Financial Reporting for Chapter 9 Bankruptcies."*

GASB Statement No. 51 establishes standards of accounting and financial reporting for intangible assets for all state and local governments. Inconsistencies in the accounting and financial reporting for intangible assets, particularly in the areas of recognition, initial measurement, and amortization, have occurred in practice due to the absence of sufficiently specific authoritative guidance that addresses these questions. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code.

Implementation of these GASB Statements did not affect the presentation of the financial statements of the District.

**NOTE 3 – BUDGETARY BASIS**

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 that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis).

The encumbrances outstanding at year-end amounted to \$76,158 for the General Fund.

**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;
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;

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (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.

At June 30, 2010, the District had \$2,904 in cash with fiscal agent held by the Western Buckeye Educational Service Center, which is included on the statement of net assets and balance sheet as "Cash and Cash Equivalents with Fiscal Agents."

***Deposits***

Custodial credit risk is the risk that in the event of bank failure, the District'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.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

At fiscal year end, the carrying amount of the District's pooled deposits was \$1,447,257 and the bank balance was \$1,487,479. Of the bank balance, \$956,605 was covered by federal depository insurance and \$530,874 was collateralized but uninsured. 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, 2010, the District has \$2,028 in undeposited cash on hand. This amount is included in cash and investments.

***Investments***

As of June 30, 2010, the District had the following investments:

Investments	Carrying Value	% of Investment Balance	Investment Maturities (in years)	
			0-1	1-5
Federal Home Loan Bank Bonds	\$ 1,206,277	21.00%		\$1,206,277
Federal National Mortgage Assn. Notes	300,000	5.22		300,000
Negotiable				
Certificates of Deposit	1,039,006	18.08	593,000	446,000
Repurchase Agreements	1,189,178	20.70	1,189,178	
AIM Government Mutual Fund	6,304	0.11	6,304	
Negotiable				
Certificates of Deposit	1,999,000	34.80	349,000	1,650,000
STAROhio	5,121	0.09	5,121	
<b>Totals</b>	<b>\$ 5,744,880</b>	<b>100.00%</b>	<b>\$2,142,603</b>	<b>\$3,602,277</b>

***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.

***Credit Risk***

The District's investments in the federal agency securities that underlie the District's repurchase agreement were rated Aaa by Moody's Investor Services. The District's investments at June 30, 2010 in Federal Home Loan Bank Bonds, Federal National Mortgage Association Bonds, AIM Government Mutual Fund and STAROhio are rated AAA by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The District has no investment policy that would further limit its investment choices.

***Custodial 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 District's investments in Federal Home Loan Bank, Federal National Mortgage Association bonds, repurchase agreement and negotiable certificates of deposit are exposed to

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)**

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 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% of the District's investments are in Federal Home Loan Bank Bonds, Federal National Mortgage Association Notes, and Negotiable Certificates of Deposit. These investments are 21.00%, 5.22%, and 52.88%, respectively, of the District's total investments for the amounts listed above.

**NOTE 5 - PROPERTY TAXES**

Tangible personal property tax revenues received in calendar year 2010 (other than public utility property) represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

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

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, 2010, are available to finance fiscal year 2010 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 5 - PROPERTY TAXES (CONTINUED)**

The assessed values upon which fiscal year 2010 taxes were collected are:

Collections	2009 Second-Half Collections		2010 First-Half	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/Residential and Other Real Estate	\$ 41,445,060	89.3%	\$ 41,835,600	86.9%
Public Utility	4,915,655	10.6	6,242,940	13.0
Tangible Personal Property	<u>51,985</u>	<u>0.1</u>	<u>53,313</u>	<u>0.1</u>
Total Assessed Value	<u>\$ 46,412,700</u>	<u>100.0%</u>	<u>\$ 48,131,853</u>	<u>100.0%</u>
Tax rate per \$1,000 of assessed valuation	\$37.03		\$38.08	

**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 five-year renewable tax, last renewed in May 2006; .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, 2010 consisted of the following:

		Balance			Balance 6/30/2010	Due Within 1 Year
		6/30/2009	Additions	Deductions		
<b>1998 Capital Appreciation Bonds</b>	14.95-15.25%	\$21,862		\$21,862		
Accretion of Interest		89,576	\$8,562	98,138		
<b>2001 School Improvement Bonds</b>						
Current Interest Serial Bonds	3.25-4.45%	665,000		215,000	\$220,000	
Current Interest Term Bonds	5.00-5.20%	3,250,000		3,250,000		
Capital Appreciation Bonds	13.017-13.015%	216,625		216,625		
Accretion of Interest		265,803	47,650	313,453		
<b>Judgment Loan Payable</b>		<u>3,752,013</u>		<u>194,898</u>	<u>200,744</u>	
<b>Total Debt Obligations</b>		<u>\$8,260,879</u>	<u>\$56,212</u>	<u>\$7,787,193</u>	<u>\$420,744</u>	



Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – DEBT OBLIGATIONS (CONTINUED)**

Total expenditures for interest for the above debt for the period ending June 30, 2010 was \$188,044.

**1998 Capital Appreciation Bonds** - The Capital Appreciation Bonds matured in fiscal year 2010. The proceeds from these bonds were used to refinance bonds issued in 1991 for school building improvements. The debt was 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, 2011. The remaining principle amount to be redeemed as of June 30, 2010, is \$450,000.

**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% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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% 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% of the principal amount thereof plus accrued interest to the date of redemption.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – DEBT OBLIGATIONS (CONTINUED)**

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, 2010, is \$530,078. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt outstanding at June 30, 2010 are as follows:

Fiscal Year Ending June 30,	<b>2001 School Improvement Bonds</b>		<b>Accretion/ Interest</b>	<b>Total</b>
	Current Interest	Capital Appreciation		
2011	\$ 220,000		\$ 178,690	\$ 398,690
2012	230,000		168,788	398,788
2013		\$79,278	329,392	408,670
2014		71,980	336,690	408,670
2015		65,367	343,305	408,672
2016- 2020	1,340,000		657,100	1,997,100
2021- 2025	1,430,000		285,395	1,715,395
2026- 2029	<u>480,000</u>		<u>51,740</u>	<u>531,740</u>
Total	<u>\$3,700,000</u>	<u>\$ 216,625</u>	<u>\$2,351,100</u>	<u>\$6,267,725</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, 2010, are as follows:

Fiscal year Ending June 30,	Judgment Loan
2011	\$ 200,744
2012	206,766
2013	212,969
2014	219,358
2015	225,939
2016-2020	1,235,527
2021-2024	<u>1,255,811</u>
Total	<u>\$ 3,557,115</u>

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – DEBT OBLIGATIONS (CONTINUED)**

Payments on the above obligations are deducted from the District's General Fund 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.

The District's overall debt margin was \$640,428 with an unvoted debt margin of \$48,132 at June 30, 2010.

**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 2010, the District contracted with Ohio Casualty Company 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	2,000,000
General Annual Aggregate	2,000,000
Fire Legal Liability	300,000
Medical Payments Any One Person	15,000
Errors or Omissions	1,000,000
Errors or Omissions Aggregate	1,000,000
Employment Practices Liability	1,000,000
Employment Practices Liability Aggregate	1,000,000
Owned/Leased Vehicles	1,000,000
Medical Payments	5,000
Uninsured Motorist	1,000,000
Automobile Physical Damage (10 year or new vehicles)	Replacement Cost
Property per Occurrence Limit	53,028,624
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
Umbrella each occurrence	4,000,000
Umbrella Aggregate	4,000,000

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 since 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  
For the Fiscal Year Ended June 30, 2010

**NOTE 8 - RISK MANAGEMENT (CONTINUED)**

3. Workers' Compensation

For fiscal year 2010, the District's Workers' Compensation managed care organization is contracted with Sheakley Worker's Compensation. The District did not qualify for a Group Rating Program (GRP) due to prior claims. 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 participates in the State Teachers Retirement System of Ohio ("STRS Ohio"), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://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 divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. 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 DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. For fiscal year 2010, the District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 9 - DEFINED BENEFIT PENSION PLANS (CONTINUED)**

The District's required contributions for pension obligations for the fiscal years ended June 30, 2010, 2009 and 2008 were \$432,010, \$419,929 and \$478,518, respectively; which equaled the required contributions for each year. Contributions to the DC and Combined Plans for fiscal year 2010 were \$13,844 made by the District and \$9,889 made by the plan members.

**B. School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year 2010, the allocation to pension and death benefits is 12.78 percent. The remaining 1.22 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare B Funds.

The District's contributions to SERS for the years ended June 30, 2010, 2009 and 2008 were \$156,479, \$109,454 and \$135,402, respectively; 41 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008.

**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, 2010, one of the Board of Education members is not covered by either STRS or SERS. The Board's liability is 6.2 percent of wages paid.

**NOTE 10 – POST EMPLOYMENT BENEFITS**

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

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 10 – POST EMPLOYMENT BENEFITS (CONTINUED)**

**State Teachers Retirement System**

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, one percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2010, 2009 and 2008. The 14 percent employer contribution rate is the maximum rate established under Ohio law. The District's contributions for post employment health care for fiscal years ended June 30, 2010, 2009 and 2008 were \$33,232, \$32,302 and \$34,180, respectively; 83 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2009 (the latest information available), the balance in the Fund was \$2.7 billion. For the fiscal year ended June 30, 2009, net health care costs paid by STRS Ohio were \$298,110,000 and STRS Ohio had 129,659 eligible benefit recipients.

**School Employees Retirement System**

***Medicare Part B Plan***

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2010 was \$96.40 for most participants, but could be as high as \$353.60 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2010, the actuarially required allocation was 0.76 percent. The District's contributions for the fiscal years ended June 30, 2010, 2009 and 2008 were \$9,305, \$7,886 and \$8,621, which equaled the required contributions each year.

***Health Care Plan***

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

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. For the year ended June 30, 2010, the health care allocation was .46 percent. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 10 – POST EMPLOYMENT BENEFITS (CONTINUED)**

collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2010, the minimum compensation level was established at \$35,800. The surcharge added to the unallocated portion of the 14 percent employer contribution is the total amount assigned to the Health Care Fund. The District's contributions for the years ended June 30, 2010, 2009 and 2008 were \$22,618, \$66,933 and \$59,077, respectively.

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

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

**NOTE 11 - STATUTORY RESERVES**

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

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2010.

Disclosure of this information is required by State statute.

	<b>Textbooks</b>	<b>Capital Acquisition</b>
Set Aside Reserve Balance June 30, 2010		
Current Year Set-aside Requirement	\$146,539	\$146,539
Current Year Set-Qualifying Expenditures	(112,745)	(25,344)
Excess Qualified Expenditures from Prior Years	(185,763)	
Current Year Offsets		(121,195)
Total	(\$151,969)	(121,195)
Balance Carried Forward to Fiscal Year 2011	(\$151,969)	

The District had qualifying disbursements during the year that reduced the textbooks set-aside amount below zero. This amount may be used to offset future year textbook set-aside requirements.

Wayne Trace Local School District  
Paulding County

Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**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.

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 center 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"), a Council of Governments, defined as 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, Huntington 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.



Wayne Trace Local School District  
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Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 13 - GROUP PURCHASING POOL (CONTINUED)**

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 U.S. RT. 127, Haviland, Ohio 45851.

**NOTE 14 - TRANSFERS**

During the year ended June 30, 2010, the following transfers in and out occurred:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General Fund		\$ 312,953
Permanent Improvement Fund	\$ 236,706	
All Other Governmental Funds		
Lunchroom Fund	26,247	
Severance and Termination Benefits Fund	50,000	
Total All Other Governmental Funds	<u>312,953</u>	
Total All	<u>\$ 312,953</u>	<u>\$ 312,953</u>

Transfers from the General Fund to other governmental funds were made to move unrestricted balances to support programs and projects accounted for in other funds.

**NOTE 15 - ADVANCES**

During fiscal year 2010, the General Fund made advances of \$1,463 to the Title VI-B grant funds, which remain unpaid at fiscal year end.

**NOTE 16 - 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, 2010.

**NOTE 17 – SUBSEQUENT EVENT**

Subsequent to fiscal year end, the District issued approximately \$3.2 million in bond debt obligation as advance refunding of existing debt obligations. Estimated savings to the District is approximately \$265,000 or six percent. The bond interest rate varies from one percent to 3.9 percent, with final maturity in fiscal year 2029.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>FEDERAL GRANTOR</b> <i>Pass Through Grantor</i> Program Title	Federal CFDA Number	Receipts	Disbursements
<b>UNITED STATES DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Child Nutrition Cluster:</u>			
School Breakfast Program	10.553	\$34,589	\$34,589
National School Lunch Program	10.555		
Cash Assistance		180,849	180,849
Non- Cash Assistance (Food Distribution)		53,374	53,374
Total National School Lunch Program		<u>234,223</u>	<u>234,223</u>
Total U.S. Department of Agriculture		<u><b>268,812</b></u>	<u><b>268,812</b></u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Ohio Department of Education:</i>			
<u>Title I, Part A Cluster:</u>			
Title I Grants to Local Educational Agencies	84.010	98,912	108,903
ARRA - Title I Grants to Local Educational Agencies	84.389	49,149	49,152
Total Title I, Part A Cluster		<u>148,061</u>	<u>158,055</u>
<u>Special Education Cluster</u>			
ARRA - Special Education Grants to States	84.391	178,683	180,316
Safe and Drug-Free Schools and Communities State Grants	84.186	1,591	2,104
Education Technology State Grants	84.318	393	396
Improving Teacher Quality State Grants	84.367	61,790	69,683
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants	84.394	<u>283,214</u>	<u>256,581</u>
Total U.S. Department of Education		<u><b>673,732</b></u>	<u><b>667,135</b></u>
<b>Total Federal Awards Receipts and Expenditures</b>		<u><b>\$942,544</b></u>	<u><b>\$935,947</b></u>

The accompanying notes are an integral part of this Schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wayne Trace Local School District (the District's) federal award programs' receipts and disbursements. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

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# Dave Yost • 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 Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 24, 2011, 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 the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

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

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### **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 we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2010-001.

We also noted a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 24, 2011.

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 management, the Board of Education, federal awarding agencies, pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

January 24, 2011



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### **Compliance**

We have audited the compliance of Wayne Trace Local School District, Paulding County, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the District's major federal programs for the year ended June 30, 2010. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the Wayne Trace Local School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

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

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

We noted a matter involving federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 24, 2011.

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



**Dave Yost**  
Auditor of State

January 24, 2011



**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2010**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Nutrition Cluster - CFDA #10.553 and #10.555 ARRA-State Fiscal Stabilization Fund – Education State Grants, – CFDA #84.394
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2010-001**

**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(B)** which further clarifies the requirements of Ohio Revised Code § 117.38 requires the District to file annual financial reports that are prepared using generally accepted accounting principles (GAAP).

For 2010, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's 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 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.

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**WAYNE TRACE LOCAL SCHOOL DISTRICT  
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles.	No	Not Corrected. Reissued as finding 2010-001 in this report.





# Dave Yost • 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 17, 2011