



Dave Yost • Auditor of State



**WAYNE COUNTY SCHOOLS CAREER CENTER  
WAYNE COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Wayne County Schools Career Center  
Wayne County  
518 W. Prospect Street  
Smithville, Ohio 44677

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne County Schools Career Center, Wayne 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne County Schools Career Center, Wayne County, Ohio, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 5, 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 not a required part of the basic financial statements. The Federal Awards Receipts and Expenditure 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. This schedule was subject to the auditing procedures we applied to 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

April 5, 2011

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The discussion and analysis of the Wayne County Schools Career Center's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements, and the financial statements to enhance their understanding of the School District's financial performance.

**Financial Highlights**

Key financial highlights for 2010 are as follows:

- ❑ General Revenues accounted for \$10.3 million in revenue or 62% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6.2 million or 38% of total revenues of \$16.5 million.
- ❑ Total program expenses were \$15.4 million.
- ❑ Net assets of governmental activities increased \$1,165,414 from 2009.
- ❑ Net capital assets increased \$12,185,307 from 2009.
- ❑ School District has ongoing Ohio School Facilities Commission project of classroom renovations.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Wayne County Schools Career Center as a whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also highlight the School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Wayne County Schools Career Center, the general fund and the classroom facilities are by far the most significant of the major funds.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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***Reporting the School District as a Whole***

*Statement of Net Assets and the Statement of Activities*

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2010?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the Statement of Net Assets and the Statement of Activities, the School District is classified into governmental activities. All of the School District's programs and services are reported here, including: instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

***Reporting the School District's Most Significant Funds***

*Fund Financial Statements*

The analysis of the School District's major funds begins on page 8. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund, permanent improvement fund and classroom facilities fund.

**Governmental Funds** - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The School District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The governmental fund financial statements begin on page 13.



**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**Notes to the Financial Statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 19.

**The School District as a Whole**

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

Table 1 provides a summary of the School District's net assets for 2010 compared to 2009.

**(Table 1)**  
**Net Assets**

	Governmental Activities	
	2010	2009
<b>Assets</b>		
Current and Other Assets	\$ 30,887,785	\$ 41,718,223
Capital Assets	18,758,384	6,573,077
Total Assets	49,646,169	48,291,300
<b>Liabilities</b>		
Current liabilities	8,283,246	7,105,722
Long-Term Liabilities	9,021,747	10,009,816
Total Liabilities	17,304,993	17,115,538
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	16,034,923	6,122,769
Restricted	11,366,109	20,884,519
Unrestricted	4,940,144	4,168,474
Total Net Assets	\$ 32,341,176	\$ 31,175,762

Assets increased by \$1,354,869 and liabilities increased \$189,455 resulting in an increase in net assets of \$1,165,414. The most significant factors causing the increase in assets was construction in progress related to the Ohio School Facilities Commission project. The increase in current liabilities was the result of an increase in contracts payable. Payments on the capital lease resulted in a decrease in long-term liabilities.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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

**(Table 2)**  
**Changes in Net Assets**

	Governmental Activities	
	2010	2009
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 1,602,977	\$ 1,971,436
Operating Grants	4,393,230	1,753,207
Capital Grants	234,970	18,449,191
<i>General Revenues:</i>		
Property Taxes	5,301,170	5,476,901
Grants and Entitlements	4,984,585	7,208,012
Investment Earnings	12,807	106,791
Payment in Lieu of Tax	0	82,600
Miscellaneous	3,554	20,119
<i>Total Revenues</i>	16,533,293	35,068,257
<b>Program Expenses</b>		
Instruction	9,541,133	9,027,284
Support Services	4,753,702	5,244,648
Extracurricular Activities	0	69
<i>Operation of Non-instructional Services:</i>		
Food Service Operations	238,921	213,187
Community Services	484,574	319,128
Interest and Fiscal Charges	349,549	474,538
<i>Total Expenses</i>	15,367,879	15,278,854
Change in Net Assets	1,165,414	19,789,403
<i>Net Assets Beginning of Year</i>	31,175,762	11,386,359
<i>Net Assets End of Year</i>	\$ 32,341,176	\$ 31,175,762

Revenue decreased by \$18,534,964 or 53% under fiscal year 2009. This decrease can be attributed to the decrease of revenue related to the state portion for the Ohio School Facilities Commission project reported in fiscal year 2009. Expenses increased by \$89,025 or .58% over fiscal year 2009.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**Governmental Activities**

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements. All governmental activities had total revenues of \$16.5 million and expenditures of \$15.4 million.

**(Table 3)**  
**Governmental Activities**

	2010		2009	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instruction	\$ 9,541,133	\$ (4,695,882)	\$ 9,027,284	\$ 11,936,779
Support Services:				
Pupils and Instructional Staff	2,150,940	(1,832,041)	2,310,559	(1,819,087)
Board of Education, Administration				
Fiscal and Business	1,392,809	(1,194,708)	1,578,639	(1,532,305)
Operation and Maintenance of Plant	1,048,170	(1,007,131)	1,203,878	(1,190,369)
Pupil Transportation and Central	161,783	(54,378)	151,572	(50,373)
Operation of Non-Instructional Services:				
Food Service Operation	238,921	1,205	213,187	18,794
Community Services	484,574	(4,218)	319,128	6,148
Extracurricular Activities	0	0	69	(69)
Interest and Fiscal Charges	349,549	(349,549)	474,538	(474,538)
<b>Total</b>	<b>\$ 15,367,879</b>	<b>\$ (9,136,702)</b>	<b>\$ 15,278,854</b>	<b>\$ 6,894,980</b>

Total net cost of service for 2010 increased 232.5% over 2009. This change is a result of recognizing all of the Ohio School Facilities Commission grant money in 2009. Instruction and student support services comprise 93% of governmental program expenses.

The reliance of local tax and other general revenues for governmental activities is crucial. General revenues totaled \$10,302,116 which is approximately 62% of total revenues. The most significant portion of general revenues is property taxes which are 32% of total revenues, 30% is from grants and entitlements not restricted to specific programs with investment and other miscellaneous revenues supporting the remaining activity costs. The remaining amount of revenue received was in the form of program revenues, which equaled \$6,231,177 or 38% of total revenue.

While community support of the School District is crucial to the operation of the School District, Grants and Entitlements provide a greater percentage of revenue for governmental activities. The greatest amount generated by Grants and Entitlements is income from the School Foundation Program. Foundation income is determined by the number of students attending the School District.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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**School District's Funds**

Information regarding the School District's major funds can be found in the Notes to the Basic Financial Statements, Summary of Significant Accounting Policies. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$27,925,864 and expenditures of \$28,580,590.

The net increase in fund balance in the general fund was \$510,618. The increase was primarily due to an increase in grant monies and reduction in various expenditures.

The net increase in fund balance in the permanent improvement fund was \$7,594. The increase was primarily due to a decrease in capital outlay due to the payments for the school building were made from the classroom facilities fund.

The net decrease in fund balance in the classroom facilities was \$1,357,943. The decrease was primarily due to the increase of payments of capital outlay for construction of a new school building.

**General Fund Budgeting Highlights**

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

During the course of fiscal year 2010, there were minor changes to the School District general fund budget. The School District bases its budgets according to needs of programs and functions. Supervisors of departments are responsible to oversee budgets and control spending. This provides for flexibility in spending between programs each school year.

For the general fund, actual revenue of \$11.44 million was less than final budget estimates of \$11.58 million. Of the \$142,255 decrease, most was attributable to less revenues generated through grants received during the year.

Final appropriations of \$11.93 million were \$599,654 greater than actual expenditures of the \$11.34 million. This net positive variance was mainly the result of spending less than estimated in salaries and benefits. Employees retiring or resigning were replaced with employees earning less and, in some cases, positions were not filled.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2010, the School District had \$18.8 million invested in land and land improvements, buildings and building improvements, furniture, equipment, vehicles, and construction in progress. Table 4 shows fiscal year 2010 balances compared with 2009. See Note 8 for additional information on capital assets.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities	
	2010	2009
Land	\$ 1,873,766	\$ 354,000
Construction in Progress	13,511,097	2,145,196
Land Improvements	30,215	34,864
Buildings and Improvements	2,696,396	2,830,327
Furniture and Equipment	620,420	1,174,631
Vehicles	26,490	34,059
Totals	\$ 18,758,384	\$ 6,573,077

The \$12,185,307 increase in capital assets can be attributed to the construction costs associated with the Ohio School Facilities Commission Project.

**Debt**

At June 30, 2010, the School District had \$8,250,000 in debt outstanding. During fiscal year 2009, a Certificate of Participation was issued totaling \$9,120,000. The Certificate of Participation was issued for the local share for classroom renovations. During fiscal year 2010 a payment of \$870,000 was made on the debt. \$895,000 is due within one year. See Note 10 for additional information on outstanding long-term obligations of the School District.

**School District Outlook**

The Wayne County Schools Career Center continues to have a positive financial outlook and will for the next few years unless changes in state and federal laws decreases income. The State of Ohio has not determined how to fund career – technical education under the new school funding guidelines approved in the State's 2010/11 Budget. A State approved committee is to be formed and study career – technical funding with recommendations to be made for the next budget cycle. In the meantime, career – technical centers will be funded at the 2009 levels with a 0.75% increase each year. There may be some adjustments to this amount for open enrollment students and associate school services which may decrease income slightly.

As with any school district, the financial future of the School District is not without its challenges. To begin the FY10 School Year, the School District made approximately \$600,000 in cuts to salaries and benefits through retirements, resignations, a program reduction, and changing funding sources. A declining General Fund cash balance due to deficit spending may cause the School District to seek an operating levy in FY14 or sooner. Our Adult Education Fund has the same challenges with increases in expenditures while the State has decreased funding due to budget problems.

**Wayne County Schools Career Center**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2010*

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The voters of Wayne County did pass a .75 Mill Ten Year Levy to fund the OSFC Renovation Project. The levy will generate approximately \$1,526,000 in tax revenue per year and will be used to fund the local match of the \$30,000,000 plus renovation project.

The community opinion of the School District is very strong and property taxpayers are willing to support its operation. However, the School District covers all of Wayne County and parts of four other counties with a voter base of over 60,000 voters. To convince a majority of these voters to support a new operating levy will take much work and the School District as a whole must continue to produce a solid education for all of its students, high school and adult.

The financial outlook for the School District is best summarized in the last paragraph of the Assumptions to the Five Year Forecast:

We believe that good management of our resources has allowed the School District to build an encumbered carry over in the General Fund of \$4.5 million at the end of fiscal year 2010 without a new operating levy since 1987. Management will continue to carefully monitor funds available and spending to provide outstanding opportunities for our students while keeping costs within approved appropriations. A deficit balance is forecasted in the fiscal year 2014 school year and an operating levy may be needed prior to that fiscal year to avoid a deficit. Increased state and/or local funding may delay this need and likewise decreased state and/or local funding may accelerate the need. This Five Year Forecast does not include new monies or additional expenditures due to the Ohio School Facilities Project. Proceeds from the November 2007 .75 mill levy and expenditures are separate from the General Fund and accounted for in the Permanent Improvement Fund.

***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 School 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 Jeffrey T. Slutz, Treasurer of Wayne county Schools Career Center, 518 West Prospect St., Smithville, Ohio 44677. Or e-mail at [WCCC\\_Slutz@tccsa.net](mailto:WCCC_Slutz@tccsa.net).

**Wayne County Schools Career Center**  
*Statement of Net Assets*  
*June 30, 2010*

	<b>Governmental Activities</b>
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 12,133,015
Cash and Investments in Segregated Accounts	7,929,588
Accrued Interest Receivable	7,582
Accounts Receivable	275,506
Intergovernmental Receivable	4,999,903
Taxes Receivable	5,542,191
Non-Depreciable Capital Assets	15,384,863
Depreciable Capital Assets, net	3,373,521
<i>Total Assets</i>	49,646,169
<b>LIABILITIES:</b>	
Accounts Payable	147,134
Contracts Payable	2,049,567
Accrued Wages and Benefits	838,459
Intergovernmental Payable	201,643
Accrued Vacation Leave Payable	65,384
Matured Compensated Absences Payable	25,355
Accrued Interest Payable	34,102
Deferred Revenue	4,921,602
Long-Term Liabilities:	
Due Within One Year	969,977
Due in More Than One Year	8,051,770
<i>Total Liabilities</i>	17,304,993
<b>NET ASSETS:</b>	
Invested in Capital Assets, Net of Related Debt	16,034,923
Restricted for Capital Outlay	10,660,095
Restricted for Other Purposes	706,014
Unrestricted	4,940,144
<i>Total Net Assets</i>	\$ 32,341,176

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2010

	<b>Program Revenues</b>				<b>Net (Expense)</b>
	<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants, Contributions and Interest</b>		<b>Capital Grants, Contributions and Interest</b>
					<b>Governmental Activities</b>
<b>Governmental Activities:</b>					
<b>Instruction:</b>					
Regular	\$ 1,633,397	\$ 75,221	\$ 129,178	\$ 0	\$ (1,428,998)
Special	8,972	0	518,816	0	509,844
Vocational	7,704,481	1,403,337	2,482,784	0	(3,818,360)
Adult/Continuing	145,507	0	235,915	0	90,408
Other	48,776	0	0	0	(48,776)
<b>Support Services:</b>					
Pupils	582,804	0	195,532	0	(387,272)
Instructional Staff	1,568,136	6,335	117,032	0	(1,444,769)
Board of Education	52,827	0	0	0	(52,827)
Administration	868,184	1,350	1,000	0	(865,834)
Fiscal	471,798	0	0	195,751	(276,047)
Operation and Maintenance of Plant	1,048,170	300	1,520	39,219	(1,007,131)
Pupil Transportation	58,893	0	0	0	(58,893)
Central	102,890	0	107,405	0	4,515
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	238,921	116,434	123,692	0	1,205
Community Services	484,574	0	480,356	0	(4,218)
Interest and Fiscal Charges	349,549	0	0	0	(349,549)
<b>Total Governmental Activities</b>	<b>\$ 15,367,879</b>	<b>\$ 1,602,977</b>	<b>\$ 4,393,230</b>	<b>\$ 234,970</b>	<b>(9,136,702)</b>
<b>General Revenues:</b>					
<b>Property Taxes, Levied for:</b>					
General Purposes					3,972,685
Capital Projects					1,328,485
Grants and Entitlements not Restricted to Specific Programs					4,984,585
Investment Earnings					12,807
Miscellaneous					3,554
<b>Total General Revenues</b>					<b>10,302,116</b>
<b>Change in Net Assets</b>					<b>1,165,414</b>
<b>Net Assets Beginning of Year</b>					<b>31,175,762</b>
<b>Net Assets End of Year</b>					<b>\$ 32,341,176</b>

See accompanying notes to the basic financial statements.



**Wayne County Schools Career Center**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2010*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>					
Equity in Pooled Cash and Investments	\$ 5,084,942	\$ 1,828,209	\$ 2,708,039	\$ 2,511,825	\$ 12,133,015
Cash and Investments in Segregated Accounts	0	0	7,929,588	0	7,929,588
Accrued Interest Receivable	1,516	0	0	6,066	7,582
Accounts Receivable	27,725	0	0	247,781	275,506
Interfund Receivable	122,874	0	0	0	122,874
Intergovernmental Receivable	0	0	4,888,602	111,301	4,999,903
Taxes Receivable	4,152,487	1,389,704	0	0	5,542,191
<i>Total Assets</i>	<u>\$ 9,389,544</u>	<u>\$ 3,217,913</u>	<u>\$ 15,526,229</u>	<u>\$ 2,876,973</u>	<u>\$ 31,010,659</u>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 83,604	\$ 0	\$ 6,259	\$ 57,271	\$ 147,134
Contracts Payable	0	0	2,018,457	31,110	2,049,567
Accrued Wages and Benefits	733,396	0	0	105,063	838,459
Interfund Payable	0	0	0	122,874	122,874
Intergovernmental Payable	170,444	0	0	31,199	201,643
Accrued Vacation Leave Payable	57,523	0	0	7,861	65,384
Matured Compensated Absences Payable	25,355	0	0	0	25,355
Deferred Revenue	3,888,434	1,291,620	4,792,795	101,819	10,074,668
<i>Total Liabilities</i>	4,958,756	1,291,620	6,817,511	457,197	13,525,084
<b>FUND BALANCES:</b>					
Reserved:					
Reserved for Encumbrances	397,780	0	9,723,529	172,712	10,294,021
Reserved for Property Taxes	291,616	98,084	0	0	389,700
Unreserved, Undesignated, Reported in:					
General Fund	3,741,392	0	0	0	3,741,392
Special Revenue Funds	0	0	0	1,654,632	1,654,632
Capital Projects Funds	0	1,828,209	(1,014,811)	592,432	1,405,830
<i>Total Fund Balances</i>	<u>4,430,788</u>	<u>1,926,293</u>	<u>8,708,718</u>	<u>2,419,776</u>	<u>17,485,575</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 9,389,544</u>	<u>\$ 3,217,913</u>	<u>\$ 15,526,229</u>	<u>\$ 2,876,973</u>	<u>\$ 31,010,659</u>

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets Governmental Activities  
 June 30, 2010*

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Total Governmental Fund Balances		\$ 17,485,575
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,758,384
Other long-term assets are not available to pay for current- period expenditures and therefore, are deferred in the funds.		
Grants	\$ 83,513	
Accounts Receivable	45,869	
Ohio School Facilities Grant	4,792,795	
Delinquent Property Taxes	230,889	5,153,066
 In the statement of activities interest expense is accrued when incurred, whereas in governmental funds and interest expenditure is reported when due.		(34,102)
 Long-term liabilities, including certificate of participation, are not due and payable in the current period and therefore, are not reported in the funds.		
Certificate of Participation	(8,250,000)	
Compensated Absences	(771,747)	(9,021,747)
 Net Assets of Governmental Activities		 \$ 32,341,176

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2010*

	<u>General</u>	<u>Permanent Improvement</u>	<u>Classroom Facilities</u>	<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Property and Other Local Taxes	\$ 4,085,319	\$ 1,366,567	\$ 0	\$ 0	\$ 5,451,886
Intergovernmental	7,222,375	190,223	11,086,968	2,012,530	20,512,096
Interest	12,807	5,527	31,271	9,601	59,206
Tuition and Fees	0	0	0	1,513,808	1,513,808
Gifts and Donations	2,360	0	0	112,092	114,452
Customer Sales and Services	102,354	0	2,800	168,345	273,499
Miscellaneous	917	0	0	0	917
<i>Total Revenues</i>	11,426,132	1,562,317	11,121,039	3,816,376	27,925,864
<b>EXPENDITURES:</b>					
<b>Current:</b>					
<b>Instruction:</b>					
Regular	1,585,057	0	0	122,671	1,707,728
Special	0	0	0	8,972	8,972
Vocational	5,486,461	0	0	1,421,350	6,907,811
Adult/Continuing	0	0	0	143,426	143,426
<b>Support Services:</b>					
Pupils	436,991	0	0	191,246	628,237
Instructional Staff	1,067,157	0	0	512,313	1,579,470
Board of Education	52,827	0	0	0	52,827
Administration	833,285	0	0	90,418	923,703
Fiscal	459,606	28,013	0	800	488,419
Operation and Maintenance of Plant	863,387	0	0	191,898	1,055,285
Pupil Transportation	22,236	0	0	29,088	51,324
Central	0	0	0	111,441	111,441
<b>Operation of Non-Instructional Services:</b>					
Food Service Operations	0	0	0	237,422	237,422
Community Services	0	0	0	483,854	483,854
Capital Outlay	0	0	12,478,982	485,695	12,964,677
<b>Debt Service:</b>					
Principal	0	870,000	0	0	870,000
Interest and Fiscal Charges	0	365,994	0	0	365,994
<i>Total Expenditures</i>	10,807,007	1,264,007	12,478,982	4,030,594	28,580,590
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	619,125	298,310	(1,357,943)	(214,218)	(654,726)
<b>OTHER FINANCING SOURCES AND (USES):</b>					
Transfers In	0	0	0	399,223	399,223
Transfers Out	(108,507)	(290,716)	0	0	(399,223)
<i>Total Other Financing Sources and (Uses)</i>	(108,507)	(290,716)	0	399,223	0
<i>Net Change in Fund Balances</i>	510,618	7,594	(1,357,943)	185,005	(654,726)
<i>Fund Balance at Beginning of Year</i>	3,920,170	1,918,699	10,066,661	2,234,771	18,140,301
<i>Fund Balance at End of Year</i>	<u>\$ 4,430,788</u>	<u>\$ 1,926,293</u>	<u>\$ 8,708,718</u>	<u>\$ 2,419,776</u>	<u>\$ 17,485,575</u>

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Reconciliation of the Changes*  
*in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2010*

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Net Change in Fund Balances - Total Governmental Funds \$ (654,726)

***Amounts reported for governmental activities in the statement of activities are different because:***

Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. The amount by which capital asset additions exceeded depreciation in the current period.

Capital Asset Additions	\$ 13,014,549	
Current Year Depreciation	<u>(391,348)</u>	12,623,201

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (437,894)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Grants	26,805	
Ohio School Facilities Grant	(11,086,968)	
Accounts Receivable	(158,801)	
Delinquent Property Taxes	<u>(150,717)</u>	(11,369,681)

In the statement of activities interest expense is accrued when incurred, whereas in governmental funds and interest expenditure is reported when due. 16,445

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.  
Certificate of Participation 870,000

Some expenses reported in the statement of activities do not use the current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated Absences	67,565	
Early Retirement Incentive Payable	<u>50,504</u>	<u>118,069</u>

Change in Net Assets of Governmental Activities \$ 1,165,414

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2010*

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<b>Variance with Final Budget- Positive (Negative)</b>
<b>REVENUES:</b>				
Property and Other Local Taxes	\$ 4,050,000	\$ 4,050,000	\$ 4,097,826	\$ 47,826
Intergovernmental	7,150,000	7,384,278	7,222,375	(161,903)
Interest	50,000	50,000	15,225	(34,775)
Gifts and Donations	0	0	2,360	2,360
Customer Sales and Services	25,000	25,000	102,354	77,354
Miscellaneous	75,000	75,000	1,883	(73,117)
<b>Total Revenues</b>	<u>11,350,000</u>	<u>11,584,278</u>	<u>11,442,023</u>	<u>(142,255)</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Regular	1,683,771	1,663,393	1,599,980	63,413
Vocational	5,867,923	6,076,802	5,845,173	231,629
<b>Support Services:</b>				
Pupils	462,250	469,750	436,484	33,266
Instructional Staff	1,081,760	1,123,260	1,093,199	30,061
Board of Education	59,625	66,125	53,249	12,876
Administration	974,316	959,316	887,530	71,786
Fiscal	471,717	514,217	480,298	33,919
Operation and Maintenance of Plant	1,072,292	1,030,791	917,282	113,509
Pupil Transportation	31,250	31,250	22,055	9,195
<b>Total Expenditures</b>	<u>11,704,904</u>	<u>11,934,904</u>	<u>11,335,250</u>	<u>599,654</u>
Excess of Revenues Over (Under) Expenditures	(354,904)	(350,626)	106,773	457,399
<b>OTHER FINANCING SOURCES AND (USES):</b>				
Advances In	20,000	150,722	150,722	0
Advances Out	(20,000)	(155,000)	(122,874)	32,126
Transfers Out	(130,000)	(130,000)	(108,507)	21,493
<b>Total Other Financing Sources and (Uses)</b>	<u>(130,000)</u>	<u>(134,278)</u>	<u>(80,659)</u>	<u>53,619</u>
Net Change in Fund Balances	(484,904)	(484,904)	26,114	511,018
Fund Balance (Deficit) at Beginning of Year	4,244,225	4,244,225	4,244,225	0
Prior Year Encumbrances Appropriated	337,411	337,411	337,411	0
<b>Fund Balance (Deficit) at End of Year</b>	<u>\$ 4,096,732</u>	<u>\$ 4,096,732</u>	<u>\$ 4,607,750</u>	<u>\$ 511,018</u>

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Fund*  
*June 30, 2010*

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	<u><b>Agency Fund</b></u>
<b>ASSETS:</b>	
Equity in Pooled Cash and Investments	\$ 121,728
Accounts Receivable	<u>5,425</u>
<i>Total Assets</i>	<u><u>\$ 127,153</u></u>
<b>LIABILITIES:</b>	
Accounts Payable	\$ 2,463
Undistributed Monies	20,188
Due to Students	<u>104,502</u>
<i>Total Liabilities</i>	<u><u>\$ 127,153</u></u>

See accompanying notes to the basic financial statements.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 1 – DESCRIPTION OF THE SCHOOL DISTRICT**

The Wayne County Schools Career Center (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The School District operates under an appointed fifteen-member Board of Education and provides educational services as mandated by state and/or federal agencies. The Board controls one instructional/support facility staffed by 32 noncertificated employees, 99 certificated full-time teaching personnel and seven administrators who provide services to 808 students and other community members.

The School District provides more than instruction to its students. These additional services include student guidance, extracurricular, educational media, and care and upkeep of grounds and buildings. The operation of each of these activities is directly controlled by the Board of Education through the budgetary process. These School District operations will be included as part of the reporting entity.

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits, of or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, the levying of taxes or the financial statements would be misleading if data from the component unit were not included. The School District has no component units.

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

The Wayne County Joint Vocational School District applies generally accepted accounting principles (GAAP) that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental funds provided they not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District’s accounting policies are shown below.

***Implementation of New Accounting Policies***

For the year ended June 30, 2010, the School 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*.”

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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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 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.

### **Basis of Presentation**

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

### **Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The effect of interfund activity, within governmental type activities has been removed from these statements.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

### **Fund Financial Statements**

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



**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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## **Fund Accounting**

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

### **Governmental Funds**

Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

*Permanent Improvement* – The permanent improvement fund is used to account for all transactions related to the acquiring, constructing, or improving major capital facilities.

*Classroom Facilities* – The classroom facilities fund is used to account for monies received and expended in connection with contracts entered into by the School District and the Ohio Department of Education for the building and equipping of classroom facilities.

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

### **Fiduciary Funds**

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District's fiduciary fund category consists of only one classification: the agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

### **Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and liabilities associated with the operation of the School District are included on the statement of net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balance reports on the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Fiduciary funds are reported using the economic resources management and are excluded from the government-wide financial statements.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. The fiduciary funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

**Revenues – Exchanges and Non-exchange Transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted: matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, tuition fees, customer sales and service, investment earnings and grants and entitlements.

**Deferred Revenue**

Deferred revenue arises when assets are recognized before revenue criteria have been satisfied. Property taxes for which there is an enforceable legal claim as of June 30, 2010, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2011 operations, have been recorded as deferred revenue. Grants and entitlements and accounts receivable received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Expenditures/Expenses**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the fund financial statements as intergovernmental revenue and an expenditure of food service operations. In addition, this amount is reported on the statement of activities as an expense with a like amount reported within the “operating grants, contributions and interest” program revenue account.

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

**Budgetary Process**

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2010.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

**Encumbrances**

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

**Lapsing of Appropriations**

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

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Cash and Investments**

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

During fiscal year 2010, investments were limited to repurchase agreements and certificates of deposit.

Nonparticipating investment contracts such as overnight repurchase agreements and non-negotiable certificates of deposit are reported at cost.

Following Ohio statutes, the Board of Education has by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue has been credited to the general fund, permanent improvement fund, classroom facilities, and the food service fund. Interest credited to the general fund during fiscal year 2010 amounted to \$12,807 which includes \$0 assigned from other School District funds.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments". Investments with an original maturity of more than three months that are not purchased from the pool are reported as "investments".

**Restricted Assets**

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are imposed by creditors, contributors, grantors, or laws of other governments or by imposing enabling legislation. Restricted assets may include amounts required to be set aside by the School District for the purchase of textbooks or for the acquisition or construction of capital improvements. Restricted assets may also include amounts set aside as a reserve for budget stabilization, which is now optional as determined by the School District. See Note 18 for the calculation of the year-end restricted asset balance and the corresponding fund balance reserves. There were no restricted assets in fiscal year 2010.

**Capital Assets**

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported on the fund financial statements.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. All reported capital assets except land and construction in progress are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	15 - 30 years
Buildings and Improvements	30 - 50 years
Furniture and Equipment	3 - 15 years
Vehicles	5 - 15 years

**Compensated Absences**

The School District reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences". Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "matured compensated absences payable" in the fund from which the employees who have accumulated leave are paid.

**Accrued Liabilities and Long Term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term loans are recognized as a liability on the governmental fund financial statements when due.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Net Assets**

Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantor or laws, or regulations of other governments. Net assets restricted for other purposes primarily include instructional operations, food service operations and adult education.

The School District applies restricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net assets are available.

**Fund Balance Reserves**

The School District reserves those portions of fund equity which are legally segregated for a 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 and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriation under State statute.

**Interfund Transactions**

Transfers between governmental activities on the government-wide statements are eliminated. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, receivables and payables resulting from short-term interfund loans and interfund services provided and used are classified as "interfund receivables/payables." Interfund balances are eliminated in the governmental activities column of the statement of net assets.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal 2010.

**Estimates**

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

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations and changes in fund balance are based upon generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances-Budget (Non-GAAP Basis) and Actual, presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget and the fund financial statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balances for governmental fund types (GAAP basis).
4. Advances In and Advances Out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change in Fund Balance	
	<u>General</u>
GAAP Basis	\$ 510,618
Net Adjustment for Revenue Accruals	15,890
Net Adjustment for Expenditure Accruals	(51,050)
Advances In	150,722
Advances Out	(122,874)
Encumbrances (Budget Basis)	<u>(477,192)</u>
Budget Basis	<u><u>\$ 26,114</u></u>

Contrary to Ohio Revised code 5705.412, the School District did not attach a 412 certificate to their appropriation resolution dated March 25, 2010.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
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**NOTE 4 – FUND DEFICITS**

Fund balances at June 30, 2010 included the following individual fund deficits:

	<u>Deficit</u> <u>Fund Balance</u>
Nonmajor Governmental Funds:	
Career Development	\$ 3,600
Adult Basic Education	969
Vocational Education	45,759

The deficits in the nonmajor governmental funds resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits 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 deposits maturing not later than 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 accounts, including passbook accounts. Interim monies are permitted to be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
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 2% 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;



**Wayne County Schools Career Center**  
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5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt instruments rated in either of the highest rating classifications by at least two nationally recognized rating agencies.

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

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

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Protection of School District cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. By law, financial institutions must collateralize all uninsured public deposits. The face value of the pooled collateral must equal at least 105% of uninsured public funds deposited. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

#### **Cash on Hand**

At fiscal year end, the School District had \$300 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and investments".

#### **Deposits**

At fiscal year end, the carrying amount of the School District's deposits was \$15,719,031 and the bank balance was \$16,001,419. Of the bank balance:

1. \$1,047,003 was covered by federal depository insurance; and
2. \$14,954,416 was held in collateral pools with no specification for which such funds are held which is considered to be uninsured and uncollateralized. Although all State statutory requirements for the deposit of money has been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Investments**

**Interest Rate Risk:** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The School District's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the School District.

**Custodial Credit Risk:** For an investment, custodial risk is the risk that, in the event of the failure of the counterparty, the School District will no longer be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a purchase agreement by 2%. The School District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

**Credit Risk:** The School District's only investments during the fiscal year were in an overnight repurchase account, with a year end balance of \$4,465,000. The School District's investments in federal agency securities that underlie the School District's repurchase agreement were rated Aaa by Moody's Investor Services. The School District's policy doesn't address credit risk.

**Concentration of Credit Risk:** The School District places no limit on the amount the School District may invest in any one issuer. During the year, the School District's only investment was in an overnight repurchase account. These investments were secured with pledged collateral, held and in the name of the pledging institution in which the deposit and investments are held.

**NOTE 6– PROPERTY TAXES**

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Real property taxes received in calendar year 2010 were levied after April 1, 2009, on the assessed value listed as of January 1, 2009, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2010 represents collections of calendar year 2009 taxes. Public utility real and tangible personal property taxes received in calendar year 2010 became a lien December 31, 2008, were levied after April 1, 2009 and are collected in 2010 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Tangible personal property tax revenue received during calendar 2010 (other than public utility property) represents 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 21, 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property was 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 School District due to the phasing out of the tax. In calendar years 2010, the School District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The School District receives property taxes from Wayne, Medina, Holmes, Stark and Ashland counties. Stark and Ashland county tax collections are minimal. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 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.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2010, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at year-end was \$291,616 in the general fund and \$98,084 in the permanent improvement fund and is recognized as revenue on the fund financial statements.

On the accrual basis, collectible delinquent property taxes have been recorded as revenue on the statement of activities.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
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The assessed values upon which the current fiscal year taxes were collected are:

	2009 Second Half Collections		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,701,587,740	\$ 395,158,644	\$ 663,410
Holmes County	39,047,450	4,810,980	0
Ashland County	6,286,460	204,170	0
Stark County	57,010	0	0
Medina County	7,838,620	9,942,080	2,810
Grand Total	<u>\$ 1,754,817,280</u>	<u>\$ 410,115,874</u>	<u>\$ 666,220</u>
%	78.75%	18.40%	0.03%

	General	Public Utilites	Total Assessed Value
Tangible Personal Property Tax:			
Wayne County	\$ 5,988,640	\$ 53,250,350	\$ 2,156,648,784
Holmes County	1,159,470	1,474,280	46,492,180
Ashland County	100,560	391,320	6,982,510
Stark County	20	2,310	59,340
Medina County	0	524,390	18,307,900
Grand Total	<u>\$ 7,248,690</u>	<u>\$ 55,642,650</u>	<u>\$ 2,228,490,714</u>
%	0.33%	2.49%	100.00%

Tax rate per \$1,000 of Assessed Valuation \$ 4.85

	2010 First Half Collections		
	Residential/ Agriculture	Commercial/ Industrial	Public Utilities
Real Property:			
Wayne County	\$ 1,710,937,660	\$ 393,672,710	\$ 741,520
Holmes County	39,420,210	5,131,580	0
Ashland County	6,494,090	213,900	0
Stark County	62,130	0	0
Medina County	7,804,890	10,017,850	3,240
Grand Total	<u>\$ 1,764,718,980</u>	<u>\$ 409,036,040</u>	<u>\$ 744,760</u>
%	78.89%	18.28%	0.03%

	General	Public Utilites	Total Assessed Value
Tangible Personal Property Tax:			
Wayne County	\$ 3,992,426	\$ 57,031,570	\$ 2,166,375,886
Holmes County	24,115	1,087,320	45,663,225
Ashland County	64,990	294,910	7,067,890
Stark County	10	11,390	73,530
Medina County	48,544	395,850	18,270,374
Grand Total	<u>\$ 4,130,085</u>	<u>\$ 58,821,040</u>	<u>\$ 2,237,450,905</u>
%	0.18%	2.62%	100.00%

Tax rate per \$1,000 of Assessed Valuation \$ 4.85

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 7 – RECEIVABLES**

Receivables at June 30, 2010 consisted of taxes, accounts, interfund, accrued interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

**NOTE 8 – CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Balance 7/1/2009	Additions	Disposals	Balance 6/30/2010
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$ 354,000	\$ 1,519,766	\$ 0	\$ 1,873,766
Construction in Progress	2,145,196	12,885,667	(1,519,766)	13,511,097
Total Capital Assets, not being depreciated	2,499,196	14,405,433	(1,519,766)	15,384,863
<i>Capital Assets, being depreciated:</i>				
Land Improvements	380,391	0	(4,339)	376,052
Buildings and Improvements	7,512,347	0	(31,163)	7,481,184
Furniture and Equipment	4,646,359	128,882	(2,747,160)	2,028,081
Vehicles	435,745	0	(9,150)	426,595
Total Capital Assets, being depreciated	12,974,842	128,882	(2,791,812)	10,311,912
Less Accumulated Depreciation:				
Land Improvements	(345,527)	(4,649)	4,339	(345,837)
Buildings and Improvements	(4,682,020)	(123,760)	20,992	(4,784,788)
Furniture and Equipment	(3,471,728)	(255,370)	2,319,437	(1,407,661)
Vehicles	(401,686)	(7,569)	9,150	(400,105)
Total Accumulated Depreciation	(8,900,961)	(391,348)	2,353,918	(6,938,391)
Total Capital Assets being depreciated, net	4,073,881	(262,466)	(437,894)	3,373,521
Governmental Capital Assets, net	\$ 6,573,077	\$ 14,142,967	\$ (1,957,660)	\$ 18,758,384

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,097
Vocational	362,590
Adult/Continuing	2,081
Support Services:	
Instructional Staff	282
Administration	854
Fiscal	2,037
Operation and Maintenance Plant	13,386
Pupil Transportation	7,569
Food Service Operations	732
Community Service	720
Total Depreciation Expense	<u>\$ 391,348</u>

**NOTE 9 – RISK MANAGEMENT**

**General Insurance**

The School District is exposed to various risks of loss related to torts; theft; damage to or destruction of assets, errors and omissions; employee injuries; and natural disasters. The School District has a comprehensive property and casualty policy with a deductible of \$2,500 per incident. The School District's vehicle liability insurance policy limit is \$1,000,000 for each occurrence with a \$250 collision deductible. All administrators and employees are covered under a School District liability policy. The limits of this coverage are \$1,000,000 per occurrence and \$3,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**Fidelity Bond**

The Board President and Superintendent each have a \$20,000 position bond. The Treasurer is covered under a surety bond in the amount of \$20,000. All other school employees who are responsible for handling funds are covered by a \$10,000 fidelity bond.

**Workers' Compensation**

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

**Employee Health Insurance**

The School District is contracted with Stark County Schools Council of Governments (the "Council") to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one, and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The employees share the cost of the monthly premium with the Board.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 10 – LONG-TERM OBLIGATIONS**

Changes in long-term obligations of the School District from July 1, 2009 through June 30, 2010, were as follows:

	Outstanding 7/1/2009	Additions	Deletions	Outstanding 6/30/2010	Due Within One Year
<b>Governmental Type Activities:</b>					
<b>Capital Lease:</b>					
2009 Classroom Facility Project-COP 4% - 4.75%, 12/09 - 12/19	\$ 9,120,000	\$ 0	\$ 870,000	\$ 8,250,000	\$ 895,000
Total Capital Leases	9,120,000	0	870,000	8,250,000	895,000
<i>Other Long-Term Liabilities</i>					
Compensated Absences Payable	839,312	56,097	123,662	771,747	74,977
Early Retirement Incentive Payable	50,504	0	50,504	0	0
Total Other Long-Term Liabilities	889,816	56,097	174,166	771,747	74,977
Total Governmental Type Activities Long-Term Liabilities	<u>\$ 10,009,816</u>	<u>\$ 56,097</u>	<u>\$ 1,044,166</u>	<u>\$ 9,021,747</u>	<u>\$ 969,977</u>

Compensated absences payable will be paid from the fund from which the employee is paid. The early retirement incentive payable will be paid from the employee severance fund. The capital lease payments will be paid from the permanent improvement fund.

**NOTE 11 – CAPITALIZED LEASE**

During fiscal year 2009, the School District entered into a lease-purchase agreement for the classroom renovations to the school. The School District is leasing the project site from Ohio School Building Leasing Corporation. Ohio School Building Leasing Corporation assigned Huntington National Bank as trustee, transferring rights, title and interest in the project to the trustee. The School District is acting as an agent for the lessor, and is renovating the facilities from the proceeds provided by the lessor. As part of the agreement, Huntington National Bank deposited \$9,120,000, with a fiscal agent for the renovation project. Huntington National Bank has sold certificates of participation in the building lease. The School District will make annual lease payments to Huntington National Bank. Interest rates range between 4% and 4.75%. The lease is renewable annually and expires in 2019. The intention of the School District is to renew the lease annually.

As of June 30, 2010, \$3,593,461 of capital assets acquired by lease has been capitalized as construction in progress. Principal payments in fiscal year 2010 totaled \$870,000. Payments will be made on the lease from the permanent improvement fund.



**Wayne County Schools Career Center**  
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The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2010:

Fiscal Year Ending June 30,	Long-Term Obligations
2011	\$ 1,225,694
2012	1,224,194
2013	1,221,294
2014	1,221,894
2015	1,220,241
2016 -2019	3,650,494
Total	9,763,811
Less: Amount Representing Interest	(1,513,811)
Present Value of Minimum Lease Payments	\$ 8,250,000

**NOTE 12 – INTERFUND BALANCES**

The account balances by fund of “interfund receivable” and “interfund payable” as of June 30, 2010 are as follows:

Fund	Interfund Receivable	Interfund Payable
General Fund	\$ 122,874	\$ 0
Other Governmental Funds	0	122,874
Total	\$ 122,874	\$ 122,874

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made. As of June 30, 2010, all interfund payables outstanding are anticipated to be repaid in fiscal year 2011.

The following is a summarized breakdown of the School District’s transfers for fiscal year 2010:

Fund	Transfers In	Transfers Out
General Fund	\$ 0	\$ (108,507)
Capital Projects:		
Permanent Improvement	0	(290,716)
Classroom Facilities	0	0
Other Governmental Funds	399,223	0
Total	\$ 399,223	\$ (399,223)

During the fiscal year, the permanent improvement fund transferred local share monies for the Ohio School Facilities Commission project. This totaled \$290,716 to the Ohio School Facilities Commission Maintenance Fund. The general fund also transferred \$108,507 to the Ohio School Facilities Commission Maintenance Fund.

**NOTE 13 – PENSION PLANS**

**School Employees Retirement System**

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

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS’ Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the system. For fiscal year ending June 30, 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 Health Care and Medicare B Fund. The School District’s contributions to pension obligations for the years ended June 30, 2010, 2009 and 2008 were \$244,197, \$183,724, and \$198,185, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. \$34,370 represents the unpaid contributions for fiscal year 2010, and is recorded as a liability within the respective funds.

**State Teachers Retirement System**

The School 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.

**Wayne County Schools Career Center**  
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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.

Funding Policy - For the fiscal year ended June 30, 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2009, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2010, 2009 and 2008 were \$989,347, \$843,300, and \$872,388, respectively; 88 percent has been contributed for fiscal year 2010 and 100 percent for the fiscal years 2009 and 2008. Contributions to the DC and Combined Plans for fiscal year 2010 were \$22,738 made by the School District and \$21,826 made by the plan members.

**NOTE 14 – POSTEMPLOYMENT BENEFITS**

***A. School Employee Retirement System***

Plan Description – The Career Center participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2010, .46 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2010, this amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009, and 2008 were \$8,790, \$84,080 and \$90,438, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2010, this actuarially required allocation was .76 percent of covered payroll. The Career Center's contributions for Medicare Part B for the fiscal years ended June 30, 2010, 2009, and 2008 were \$14,522, \$15,159 and \$14,280, respectively; 87 percent has been contributed for fiscal year 2010 and 100 percent for fiscal years 2009 and 2008.

***B. State Teachers Retirement System***

Plan Description – The School District's contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS Ohio. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Health Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009 (the latest information available), STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2010, 2009 and 2008 were \$76,104, \$64,869 and \$67,107, respectively; 100 percent has been contributed for fiscal years 2010, 2009 and 2008

**NOTE 15 – OTHER EMPLOYEE BENEFITS – COMPENSATED ABSENCES**

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per year depending upon length of service. Vacation days are credited to classified employees on the anniversary of their employment and must be used within the next twelve months. Teachers and administrators do not earn vacation time. All employees of the Board of Education earn sick leave at the rate of one and one-fourth days per month. Upon retirement and with 10 years of service or more at the School District, nonclassified employees shall receive severance payments equal to 25 percent of accumulated unused sick leave and classified employees shall receive severance payments equal to 30 percent of accumulated unused sick leave.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

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**NOTE 16 – JOINTLY GOVERNED ORGANIZATION**

Midland Council of Governments is a jointly governed organization among twenty-two boards of education. The Council of Governments was formed to provide efficient and cost effective computer and data processing services to member boards. Financial support for the Council of Governments is provided by member fees levied according to the number of students within each member's respective district. The Executive Committee determines and sets the fees for all services. During the year ended June 30, 2010 the School District paid approximately \$62,725 to Midland for basic service charges.

Representation on the Council of Governments consists of one member appointed by each member board of education. The representative shall be the Superintendent, Assistant Superintendent or Treasurer of the member district board of education. The Council of Governments is governed by the Executive Committee who is elected for two year terms except the position of Fiscal Agent Superintendent which is a permanent appointment. The Executive Committee consists of seven members. The members are two Superintendents, two Treasurers, two members-at-large and the Fiscal Agent Superintendent.

**NOTE 17 – CONTINGENCIES**

**Grants**

The School District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2010.

**Wayne County Schools Career Center**  
Notes to the Basic Financial Statements  
For the Fiscal Year Ended June 30, 2010

**NOTE 18 – SET ASIDES**

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

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

	Capital Improvement Reserve	Textbook Instructional Materials Reserve	Total
Set Aside Carry Over Balance as of June 30, 2009	\$ 0	\$ (2,682,514)	\$ (2,682,514)
Current Year Set-Aside Requirement	140,257	140,257	280,514
Qualifying Offset	(140,257)	0	(140,257)
Qualifying Disbursements	0	(416,837)	(416,837)
Totals	<u>\$ 0</u>	<u>\$ (2,959,094)</u>	<u>\$ (2,959,094)</u>
Cash Balance Carried Forward FY 2010	<u>\$ 0</u>	<u>\$ (2,959,094)</u>	<u>\$ (2,959,094)</u>
Amount to Restrict for Set-Asides			<u>\$ 0</u>
Amount to Set-Aside			<u>\$ 0</u>

The School District had qualifying disbursements during the year that reduced the capital improvements and textbook reserve set-asides below zero. These extra amounts may only be used to reduce the set-aside requirement of future years for the purchase of textbooks and/or instructional materials. Qualifying offsets for capital improvement reserve represents Ohio School Facilities Improvements debt issued in 2009. These proceeds are eligible to be carried forward over the life of the bonds

**NOTE 19 – CONSTRUCTION COMMITMENTS**

The following construction commitments at June 30, 2010 will be financed with capital project funds revenues:

<u>Project</u>	<u>Total Authorized Cost</u>	<u>Expended to June 30, 2010</u>	<u>Balance at June 30, 2010</u>
Renovation Project	<u>\$ 22,762,772</u>	<u>\$ 13,217,605</u>	<u>\$ 9,545,167</u>

**WAYNE COUNTY SCHOOLS CAREER CENTER  
A VOCATIONAL SCHOOL DISTRICT  
WAYNE COUNTY**

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

<u>Federal Grantor/ Pass Through Grantor/ Program Title</u>	Grant Year	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Market Value):						
National School Lunch Program	2010	10.555		\$9,382		\$9,382
Cash Assistance:						
National School Lunch Program	2010	10.555	\$107,835		\$107,835	
Total Child Nutrition Cluster			107,835	9,382	107,835	9,382
Total U.S. Department of Agriculture			107,835	9,382	107,835	9,382
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>						
<i>Direct Program:</i>						
Student Financial Assistance Cluster:						
Pell Grant	N/A	84.063	480,356		480,356	
Supplemental Educational Opportunity Grant	N/A	84.007	7,811		7,811	
Federal Family Education Loans	N/A	84.032	774,127		774,127	
Total Student Financial Assistance Cluster			1,262,294		1,262,294	
<i>Passed through the Ohio Department of Education:</i>						
Career and Technical Education_Basic Grants to States						
	2009	84.048	51,691		39,512	
	2010		247,160		255,072	
	2009		2,592		1,568	
	2010		94,205		114,231	
Total Career and Technical Education_Basic Grants to States			395,648		410,383	
Safe and Drug-Free Schools and Communities_State Grants						
	2009	84.186	1,349		1,349	
	2010		148		1,484	
Total Safe and Drug-Free Schools and Communities_State Grants			1,497		2,833	
Even Start_State Educational Agencies						
	2009	84.213	45,110		15,240	
State Grants for Innovative Programs						
	2009	84.298	569		569	
Improving Teacher Quality State Grants						
	2009	84.367	1,834		0	
	2010		498		3,480	
Total Improving Teacher Quality State Grants			2,332		3,480	
<i>Passed through the Ohio Board of Regents:</i>						
Adult Education - Basic Grants to States						
	2010	84.002	109,998		111,249	
	2009		0		2,000	
Total Adult Education - Basic Grants to States			109,998		113,249	
<i>Passed through the Department of Rehabilitation Services Commission</i>						
Rehabilitation Services_Vocational Rehabilitation Grants to States						
	2010	84.126	16,694		16,694	
Total U.S. Department of Education			1,834,142		1,824,742	
<b><u>U.S. DEPARTMENT OF LABOR</u></b>						
<i>Passed through the Ohio Department of Job and Family Services:</i>						
WIA Adult Program						
	2010	17.258	161,625		161,625	
Workers Trade Adjustment Assistance						
	2010	17.245	59,272		59,272	
Total U.S. Department of Labor			220,897		220,897	
<b>Totals</b>			<b>\$2,162,874</b>	<b>\$9,382</b>	<b>\$2,153,474</b>	<b>\$9,382</b>

The Notes to the Federal Awards Receipts and Expenditures Schedule are an integral part of this schedule.

**WAYNE COUNTY SCHOOLS CAREER CENTER  
WAYNE 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 County Schools Career Center's (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 programs that benefitted from the use of those donated food commodities.





# 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 County Schools Career Center  
Wayne County  
518 W. Prospect Street  
Smithville, Ohio 44677

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 County Schools Career Center, Wayne County, Ohio (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 April 5, 2011. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying Schedule of Findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2010-001 described in the accompanying Schedule of Findings to be a material weakness.

### **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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated April 5, 2011.

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

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



**Dave Yost**  
Auditor of State

April 5, 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 REQUIRED BY OMB CIRCULAR A-133

Wayne County Schools Career Center  
Wayne County  
518 W. Prospect Street  
Smithville, Ohio 44677

To the Board of Education:

### Compliance

We have audited the compliance of Wayne County Schools Career Center, Wayne County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Wayne County Schools Career Center'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 County Schools Career Center 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. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying Schedule of Findings lists this instance as Finding 2010-002.

### 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 the requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, we cannot assure we have identified all deficiencies, significant deficiencies, or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2010-002 to be a material weakness.

The District's responses to the findings we identified are described in the accompanying Schedule of Findings. We did not audit the District's responses and, accordingly, we express no opinion on them.

We also noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated April 5, 2011.

We intend this report solely for the information and use of the management, the Board of Education, federal awarding agencies and pass-through entities and others within the entity. We intend it for no other than these specified parties.



**Dave Yost**  
Auditor of State

April 5, 2011

**WAYNE COUNTY SCHOOLS CAREER CENTER  
WAYNE 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>	Yes
<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>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<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>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Student Financial Assistance Cluster CFDA #84.063, 84.007, & 84.032 Career and Technical Education Basic Grants to States CFDA #84.048
<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>	Yes

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

<b>Finding Number</b>	<b>2010-001</b>
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### MATERIAL WEAKNESS - Financial Reporting

As a result of the audit procedures performed, errors were noted in the financial statements that required proposed audit adjustments and reclassifications. The most significant proposed adjustments are as follows:

- The District did not fully reduce unspent proceeds for the building project in FY 09; therefore, the Invested in Capital Assets was overstated. A reclassification was proposed to reduce the Invested In Capital Assets, Net of Related Debt and to increase the Reserved for Capital Outlay in the amount of \$240,814.
- The District increased their capitalization threshold from \$1,000 to \$5,000 effective for FY10. The initial reports provided by Valuation Engineers and used in preparing the financial statements still had \$1,000 as the capitalization threshold. As a result a net adjustment to Capital Assets and Invested in Capital Assets, Net of Related Debt in the amount of \$435,120 was posted to the financial statements.
- The District received reimbursements in the amount of \$182,759 for the Mentoring our Moms Program. The District recorded these reimbursements as charges for services revenue rather than as intergovernmental revenue. The reclassification of revenue has been recorded to the financial statements.
- The Adult Education Department prepared an accounts receivable spreadsheet to use in compiling the financial statements. Amounts without a receipt date immediately next to them were treated as not being received and recorded as deferred revenue. However, the entire spreadsheet included receipts that were physically received from July 1, 2010 through September 21, 2010. Additionally, only the amounts received after August 30, 2010 should have been deferred revenue since the District's available period is 60 days. An adjustment was posted to the modified accrual statements to reduce deferred revenue by \$208,040 and increase tuition & fees for the same amount.

Sound financial reporting is the responsibility of the District's Treasurer and Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

To help ensure the District's financial statements and notes to the financial statements are complete and accurate, the District should adopt policies and procedures, including a final review of the statements and notes by the Treasurer and Board of Education, to identify and correct errors and omissions.

**Official's Response:** We are going to contact our GAAP Consultant more often to ensure changes made at the district level are reflected in the GAAP Report.

MOMS Receipt coding will be changed from 1839 to a 2000 receipt code to reflect intergovernmental revenue.

The Adult Education Administrative Assistant understands the date problems and will address this in the next report.

<b>Finding Number</b>	<b>2010-001 (continued)</b>
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In the future, the District Treasurer will review the GAAP Report for errors and omissions. However, it should be noted that only the Adult Education Financial Aide Office uses a small part of the GAAP Report for their annual report. No other individual or agency requests the report with the exception of the State Auditor's Office to audit the report. In the future the District may consider not doing the GAAP Report as time, effort, and cost becomes a bigger factor.

### 3. FINDINGS FOR FEDERAL AWARDS

<b>Finding Number</b>	<b>2010-002</b>
<b>CFDA Title and Number</b>	Student Financial Assistance Cluster CFDA #84.063, 84.007, and 84.032
<b>Federal Award Number / Year</b>	2009 and 2010
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	N/A

#### NON-COMPLIANCE AND MATERIAL WEAKNESS - Federal Awards Receipts and Expenditures Schedule

**Office of Management and Budget (OMB) Circular A-133 Subpart C, §\_310(b) Schedule of Expenditures of Federal Awards** states the auditee shall prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. One of the minimum requirement is the schedule shall provide total federal awards expended for each individual federal program and the CFDA or other identifying number when the CFDA information is not available.

The District does not have an adequate process or system to track federal receipt and expenditure activity. This information is important for the preparation of the Federal Awards Receipts and Expenditures Schedule. Consequently, grant activity was omitted and not reported which could have an adverse effect on future grant awards by the awarding agency or agencies.

Various adjustments were proposed and made to the Federal Schedule with the most significant being the omission of the FFEL loan program (CFDA # 84.032) in the amount of \$774,127.

To reduce the risk of inaccurate reporting of federal expenditures and noncompliance with OMB Circular A-133, Subpart C, §\_310(b), due care should be taken in the preparation of the Federal Awards Receipts and Expenditure Schedule. The Schedule should be reviewed after preparation and tied to underlying cash reports of the District for accuracy and evaluated for completeness.

**Official's Response/Corrective Action Plan:** The District does use the Uniform School and Accounting System through Tri County Computer Services Center. In FY10, all federal receipts and expenditures had to be manually entered into the Federal Schedule. The treasurer has always added receipts from the revenue ledger plus federal food commodities to come up with total federal receipts. To date, the treasurer has not found instructions to indicate how federal expenditures should be reported. Grant guidelines require the expenditure of funds prior to fiscal year end while final federal receipts are forwarded after the final expenditure report is completed which takes place in the next fiscal year.

<b>Finding Number</b>	<b>2010-002 (continued)</b>
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Beginning in FY11, Adult Education Student FFEL Loans are being directly deposited into the District's Bank at First Merit. As soon as monies are received they are deposited into a Adult Education Trust Account as federal receipts and expended out either to our Adult Education Program or to the student. This should properly identify the loans as coming from the federal government.

The Treasurer will ensure the above action is implemented and review the accuracy/completeness of the Federal Awards Receipts and Expenditures Schedule.





# Dave Yost • Auditor of State

WAYNE SCHOOLS CAREER CENTER

WAYNE 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  
MAY 5, 2011