



Dave Yost • Auditor of State

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Wayne Trace Local School District, Paulding County, Ohio, as of June 30, 2012, and the respective changes in cash financial position, thereof and the budgetary comparison for the General fund for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, 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.

We conducted our audit to opine on the District's financial statements taken as a whole. Management's Discussion and Analysis includes tables of net assets, changes in net assets, governmental activities and long-term debt. The federal awards receipts and expenditures schedule (the Schedule) is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and the Schedule provide additional information, but are not part of the basic financial statements. However these tables and the Schedule are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and the schedule were 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. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion and Analysis, and we express no opinion or any other assurance on it.



Dave Yost
Auditor of State

November 5, 2012

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The management's discussion and analysis of the Wayne Trace Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the year ended June 30, 2012, within the limitations of the District's cash basis of accounting. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2012 are as follows:

- The total net assets of the District increased \$678,023 or 8.22% from fiscal year 2011.
- General cash receipts accounted for \$8,654,448 or 78.69% of total governmental activities cash receipts. Program specific cash receipts accounted for \$2,343,233 or 21.31% of total governmental activities cash receipts.
- The District had \$10,319,658 in cash disbursements related to governmental activities; \$2,343,233 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes) of \$8,654,448 were adequate to provide for these programs.
- The District's major funds are the general fund and permanent improvement fund. The general fund, the District's largest major fund, had cash receipts and other financing sources of \$9,172,205 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$8,761,536 in 2012. The general fund's cash balance increased \$410,669 from 2011 to 2012.
- The permanent improvement fund, a District major fund, had cash receipts and other financing sources of \$319,248 in 2012. The permanent improvement fund had cash disbursements of \$160,629 in 2012. The permanent fund's balance increased \$158,619 from 2011 to 2012.

Using this Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the District's cash basis of accounting.

The statement of net assets - cash basis and statement of activities - cash basis provide information about the activities of the whole District, presenting an aggregate view of the District's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, there are two major governmental funds. The general fund is the largest major fund.

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

The statement of net assets - cash basis and the statement of activities - cash basis answer the question, "How did we do financially during 2012?" These statements include *only net assets* using the *cash basis*

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

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

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the statement of net assets - cash basis and the statement of activities - cash basis, the governmental activities include District's programs and services including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

Reporting the District's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Governmental Funds

Most of the 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 the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various District programs. Since the District is reporting on the cash basis of accounting, there are no differences in the net assets and fund cash balances or changes in net assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements.

The District's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the general fund is presented to demonstrate the District's compliance with annually adopted budgets.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District's only fiduciary funds are a private-purpose trust fund and an agency fund.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Recall that the statement of net assets - cash basis provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2012 and June 30, 2011.

| | Change in Net Assets | |
|---|------------------------------------|------------------------------------|
| | Governmental Activities 2012 | Governmental Activities 2011 |
| | <u> </u> | <u> </u> |
| <u>Assets</u> | | |
| Equity in pooled cash and investments | \$ 8,921,902 | \$ 8,226,209 |
| Cash and cash equivalents with fiscal agent | <u> 102</u> | <u> 17,772</u> |
| Total assets | <u> 8,922,004</u> | <u> 8,243,981</u> |
| <u>Net Assets</u> | | |
| Restricted | 3,174,586 | 2,907,232 |
| Unrestricted | <u> 5,747,418</u> | <u> 5,336,749</u> |
| Total net assets | <u> \$ 8,922,004</u> | <u> \$ 8,243,981</u> |

The total net assets of the District increased \$678,023, which represents a 8.22% increase over fiscal year 2011. This increase is the result of an overall increase in property tax receipts. These cash receipts were adequate to cover cash disbursements which increase slightly, excluding items related to the District refunding debt.

The balance of government-wide unrestricted net assets of \$5,747,418 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net assets for fiscal year 2012 and 2011.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

| | Change in Net Assets | |
|------------------------------------|---|---|
| | Governmental Activities <u>2012</u> | Governmental Activities <u>2011</u> |
| Cash Receipts: | | |
| Program cash receipts: | | |
| Charges for services and sales | \$ 967,808 | \$ 1,008,162 |
| Operating grants and contributions | 1,350,164 | 1,733,350 |
| Capital grants and contributions | <u>25,261</u> | <u>28,131</u> |
| Total program cash receipts | <u>2,343,233</u> | <u>2,769,643</u> |
| General cash receipts: | | |
| Property taxes | 2,704,947 | 2,522,259 |
| Income taxes | 1,296,585 | 1,236,839 |
| Unrestricted grants | 4,540,266 | 4,356,337 |
| Investment earnings | 70,248 | 79,640 |
| Miscellaneous | 42,402 | 35,232 |
| Sale of refunding bonds | - | 3,249,993 |
| Premium on refunding bonds | - | 356,241 |
| Sale of capital assets | <u>-</u> | <u>39,119</u> |
| Total general cash receipts | <u>8,654,448</u> | <u>11,875,660</u> |
| Total cash receipts | <u>\$ 10,997,681</u> | <u>\$ 14,645,303</u> |
| Cash Disbursements: | | |
| Instruction: | | |
| Regular | \$ 4,020,078 | \$ 3,969,290 |
| Special | 682,459 | 830,272 |
| Student intervention services | - | - |
| Vocational | 161,891 | 152,497 |
| Other | 58,741 | 10,117 |
| Support services: | | |
| Pupil | 374,474 | 387,576 |
| Instructional staff | 661,807 | 426,487 |
| Board of education | 28,023 | 22,009 |

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Change in Net Assets (Continued)

| | Governmental Activities 2012 | Governmental Activities 2011 |
|---|------------------------------------|------------------------------------|
| Cash Disbursements: | | |
| Administration | 765,051 | 740,200 |
| Fiscal | 274,394 | 272,530 |
| Operations and maintenance | 814,979 | 818,359 |
| Pupil transportation | 559,339 | 540,533 |
| Central | 7,437 | 7,190 |
| Operation of non-instruction services: | | |
| Other non-instructional services | 41,385 | 50 |
| Food service | 457,111 | 463,995 |
| Extracurricular | 474,588 | 512,708 |
| Facilities acquisition and construction | 68,267 | 18,440 |
| Debt service: | | |
| Principal retirement | 523,057 | 466,966 |
| Interest and fiscal charges | 99,353 | 78,638 |
| Bond issuance costs | - | 84,367 |
| Payment to refunded bond escrow agent | - | 3,518,038 |
| Intergovernmental | <u>247,224</u> | <u>238,667</u> |
| | | |
| Total cash disbursements | <u>10,319,658</u> | <u>13,558,929</u> |
| | | |
| Change in net assets | 678,023 | 1,086,374 |
| | | |
| Net assets at beginning of year | <u>8,243,981</u> | <u>7,157,607</u> |
| Net assets at end of year | <u>8,922,004</u> | <u>8,243,981</u> |

Governmental Activities

Governmental net assets increased by \$678,023 in 2012 from 2011. Total governmental disbursements of \$10,319,658 were offset by program receipts of \$2,343,233 and general receipts of \$8,654,448. Program revenues supported 22.71% of the total governmental expenses.

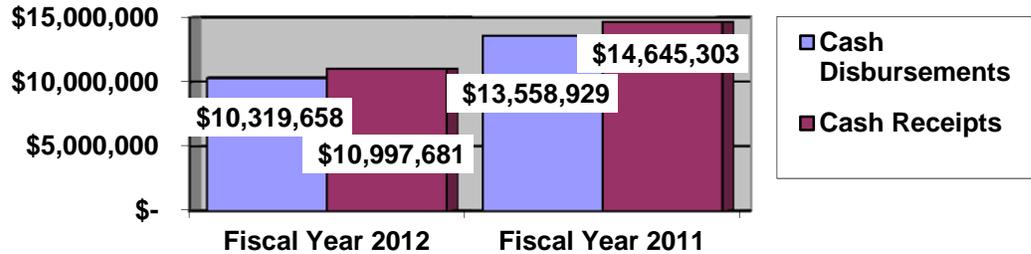
The primary sources of receipts for governmental activities are derived from property taxes, income taxes and grants and entitlements. These revenue sources represent 77.67% of total governmental receipts. Real estate property is reappraised every six years.

Program receipts of the District decreased \$426,410 or 15.40%. The primary reason for this decrease is due to the District expiration of the State Fiscal Stabilization in fiscal year 2012. In fiscal year 2011, the District received \$362,382 but did not receive any in fiscal year 2012. General receipts decreased \$3,221,212 or 27.12%. This decrease is due to proceeds and premiums received on refunding bonds that we issued by the District during fiscal year 2011. See Note 7 to the financial statements for additional details on this refunding. Disbursements of the District decreased \$3,239,271 or 23.89%. While the District showed increases related to increased wage costs, the primary reason for this decrease were disbursements related to the refunding bonds in fiscal year 2011.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

**Governmental Activities - Total Cash Receipts vs.
Total Cash Disbursements**



Governmental Activities

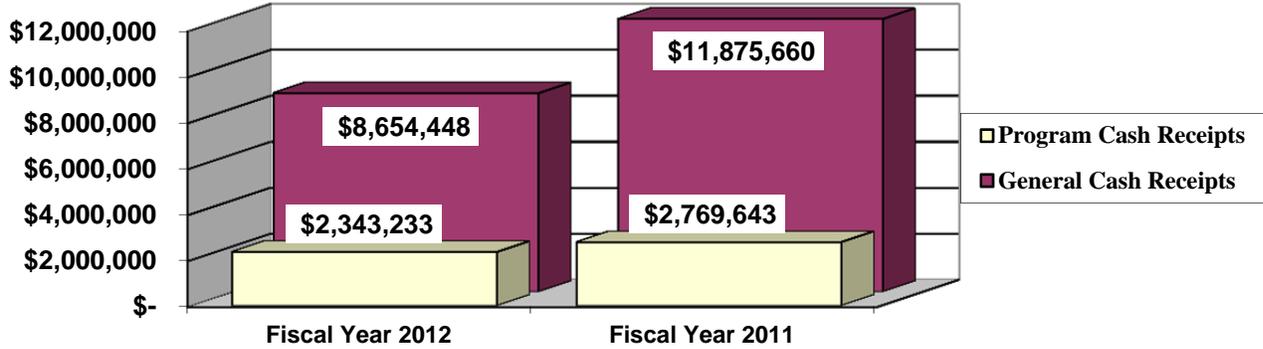
| | Total Cost of Services 2012 | Net Cost of Services 2012 | Total Cost of Services 2011 | Net Cost of Services 2011 |
|---|-----------------------------------|---------------------------------|-----------------------------------|---------------------------------|
| Cash disbursements: | | | | |
| Instruction: | | | | |
| Regular | \$ 4,020,078 | \$ 3,258,951 | \$ 3,969,290 | \$ 3,160,472 |
| Special | 682,459 | 115,528 | 830,272 | 187,972 |
| Vocational | 161,891 | 128,310 | 152,497 | 119,663 |
| Other | 58,741 | 58,741 | 10,117 | 9,484 |
| Support services: | | | | |
| Pupil | 374,474 | 366,504 | 387,576 | 373,142 |
| Instructional staff | 661,807 | 612,681 | 426,487 | 403,081 |
| Board of education | 28,023 | 28,023 | 22,009 | 22,009 |
| Administration | 765,051 | 748,119 | 740,200 | 739,246 |
| Fiscal | 274,394 | 272,913 | 272,530 | 267,923 |
| Operations and maintenance | 814,979 | 798,514 | 818,359 | 588,657 |
| Pupil transportation | 559,339 | 558,346 | 540,533 | 450,197 |
| Central | 7,437 | 7,437 | 7,190 | 7,190 |
| Operation of non-instruction services: | | | | |
| Other non-instructional services: | 41,385 | 9,513 | 50 | (1,988) |
| Food service operations | 457,111 | (13,376) | 463,995 | 10,416 |
| Extracurricular | 474,588 | 318,355 | 512,708 | 298,463 |
| Facilities acquisition and construction | 68,267 | 68,267 | 18,440 | 18,440 |
| Debt service: | | | | |
| Principal retirement | 523,057 | 523,057 | 466,966 | 466,966 |
| Interest and fiscal charges | 99,353 | 99,353 | 78,638 | 78,638 |
| Bond issuance costs | | | 84,367 | 84,367 |
| Payment to refunded bond escrow agent | | | 3,518,038 | 3,518,038 |
| Intergovernmental | 247,224 | 17,189 | 238,667 | (13,090) |
| Total | <u>\$ 10,319,658</u> | <u>\$ 7,976,425</u> | <u>\$ 13,558,929</u> | <u>\$ 10,789,286</u> |

The dependence upon general cash receipts for governmental activities is apparent; with 77.29% of cash disbursements supported through taxes and other general cash receipts during 2012.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Governmental Activities - General and Program Cash Receipts



Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The District's governmental funds are accounted for using the cash basis of accounting.

The District's governmental funds reported a combined fund balance of \$8,922,004, which is \$678,023 above last year's total of \$8,243,981. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2012 and June 30, 2011, for all major and nonmajor governmental funds.

| | Fund Balance June 30, 2012 | Fund Balance June 30, 2011 | Increase |
|-----------------------------------|-------------------------------|-------------------------------|-------------------|
| Major funds: | | | |
| General | \$ 5,747,418 | \$ 5,336,749 | \$ 410,669 |
| Permanent Improvement | 1,228,356 | 1,069,737 | 158,619 |
| Other nonmajor governmental funds | <u>1,946,230</u> | <u>1,837,495</u> | <u>108,735</u> |
| Total | <u>\$ 8,922,004</u> | <u>\$ 8,243,981</u> | <u>\$ 678,023</u> |

General Fund

The general fund, the District's largest major fund, had cash receipts and other financing sources of \$9,172,205 in 2012. The cash disbursements and other financing uses of the general fund, totaled \$8,761,536 in 2012. The general fund's fund balance increased \$410,669 from 2011 to 2012. The District primary sources of cash receipts, property taxes and intergovernmental-state receipts, increased slightly which were sufficient to cover slightly increased cash disbursements.

The table that follows assists in illustrating the cash receipts of the general fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

| | <u>2012</u> <u>Amount</u> | <u>2011</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---------------------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Cash Receipts:</u> | | | |
| Taxes | \$ 3,528,064 | \$ 3,226,390 | 9.35 % |
| Tuition | 533,179 | 524,444 | 1.67 % |
| Earnings on investments | 61,719 | 71,392 | (13.55) % |
| Other local revenues | 124,458 | 125,219 | (0.61) % |
| Intergovernmental - state and federal | <u>4,902,546</u> | <u>4,698,714</u> | 4.34 % |
| Total | <u>\$ 9,149,966</u> | <u>\$ 8,646,159</u> | 5.83 % |

Receipts of the general fund increased \$503,807 or 5.83%. Property and income taxes increased \$301,674 or 9.35%. Property taxes increased due to a reappraisal of property values that took effect at the beginning of calendar year 2012. Earnings on investments decreased \$9,673 due to a decrease in interest rates earned on investments. Intergovernmental revenue increased \$203,832 or 4.34% due to an increase in enrollment causing an increase in state foundation during the year.

The table that follows assists in illustrating the expenditures of the general fund.

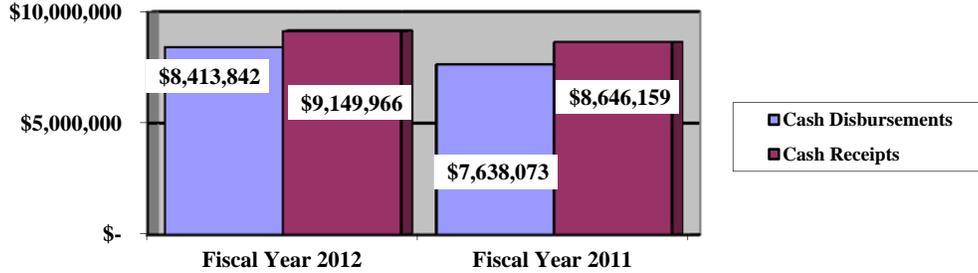
| | <u>2012</u> <u>Amount</u> | <u>Restated</u> <u>2011</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|----------------------------------|------------------------------|---|------------------------------------|
| <u>Cash Disbursements</u> | | | |
| Instruction | \$ 4,566,178 | \$ 4,445,779 | 2.71 % |
| Support services | 3,322,195 | 2,725,066 | 21.91 % |
| Operation of non instruction | 9,512 | | 100.00 % |
| Extracurricular | 277,900 | 270,262 | 2.83 % |
| Debt service | <u>238,057</u> | <u>196,966</u> | 20.86 % |
| Total | <u>\$ 8,413,842</u> | <u>\$ 7,638,073</u> | 10.16 % |

Disbursements of the general fund increased \$775,769 or 10.16%. This increase is primarily due to an increase in support service disbursements. Support service disbursements increased \$597,129 or 21.91% due primarily to contractual wage increases for personnel and moving employee salaries back to the general fund that were previously paid out of the Educational Stabilization special revenue fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

General Fund - Total Cash Receipts vs. Total Cash Disbursements



Permanent Improvement Fund

The permanent improvement fund, a District major fund, had cash receipts and other financing sources of \$319,248 in 2012. The permanent improvement fund had cash disbursements of \$160,629 in 2012. The permanent improvement fund's cash balance increased \$158,619 from 2011 to 2012. This increase can be attributed mainly to a \$299,678 transfer in from the general fund which exceeded cash disbursements during the fiscal year.

Budgeting Highlights - General Fund

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

For the general fund, final budget basis receipts and other financing sources of \$9,249,505 were increased from the original budget estimates of \$8,461,933. The most significant increase was in area of intergovernmental-state receipts which were increased \$525,868 from the original budget due a conservative estimate at the beginning of the year. Actual cash receipts and other financing sources of \$9,244,838 were less than final budget estimates by \$4,667. The final budget basis disbursements and other financing uses of \$8,937,306 were decreased from the original budget estimates of \$9,863,016. The most significant decrease was in the areas of regular instruction and special instruction which decreased \$824,527. The actual budgetary basis disbursements and other financing uses of \$8,922,689 were \$14,617 less than the final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The District does not record capital assets in the accompanying cash basis basic financial statements, but records payments for capital assets as disbursements. The District had facilities acquisition and construction disbursements of \$68,267 during fiscal year 2012.

Debt Administration

The District had the following long-term obligations outstanding at June 30, 2012 and 2011:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

| | <u>Governmental Activities 2012</u> | <u>Governmental Activities 2011</u> |
|-------------------------------|---|---|
| 2001 school improvement bonds | | |
| Current interest serial bonds | | \$ 230,000 |
| Capital appreciation bonds | \$ 216,625 | 216,625 |
| Accreted interest | 423,342 | 365,811 |
| 2010 refunding bonds | | |
| Current interest serial bonds | 3,005,000 | 3,060,000 |
| Capital appreciation bonds | 139,993 | 139,993 |
| Accreted interest | 75,062 | 26,339 |
| Judgment loan payable | <u>3,122,092</u> | <u>3,360,149</u> |
| Total | <u>\$ 6,982,114</u> | <u>\$ 7,398,917</u> |

Economic Factors

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

As for disbursements, the District faces continued increases in the cost of health care for its employees. The District also faces an ever increasing number of children requiring special education and services. Charges to provide these services increase every year. The District has faced these challenges the last few years by shifting available funds to meet the mandated services.

Current Issues

As the preceding information shows, the District relies heavily on its local taxpayers. Wayne Trace has been blessed with strong voter support as seen with the passage of a .75% income tax renewal in 2010 and a .50% continuing income tax passed in 2004.

During calendar year 2010 Paulding County experienced a full revaluation of all real property. Increases in CAUV values of farm land caused calendar year 2011 collections to increase dramatically as farm ground values rose to 150% of prior value. The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation due to Ohio House Bill 920 (passed in 1976). As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00. Thus, District's dependent upon property taxes are hampered by a lack of receipt growth and must regularly return to the voters to maintain a constant level of service. Property taxes made up 25%, 23%, 21%, 22% and 21% of receipts for governmental activities for the Wayne Trace Local School District in fiscal years 2012, 2011, 2010, 2009 and 2008, respectively, exclusive of bonds issued.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED
(CONTINUED)**

Following the increase in assessed valuations and the net effect from refinancing of our bond issues we were able to offer some tax relief to the property owners in our district. Effective with the collections in January of 2012 and going forward we lowered the rates for the bond issues by 1.18 mills and .40 mills respectively. This equates to a yearly savings of \$55.30 on a house valued at \$100,000.

Looking forward there are some positives in the near term future. With the Timber Road II wind farm becoming operational in 2011 we should begin to see the fee payments begin in January of 2013 based on current legislation. Though this is not the answer to all problems it will give us a new revenue stream to help offset any future requests to the voters for more funding. In FY2013 we are to also begin receiving the long awaited Casino tax revenue. Based on projections supplied by the state this will offer a small revenue stream equating to approximately a .5 mill of valuation.

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

Another District concern is the uncertainty brought about by the State Legislative approval of the biennial budget and sources of funding for the next two years. With no new revenue streams to support state funding and with a continued weak economy the ability of the State to meet the planned obligation over the biennium is suspect.

Contacting the District's Financial Management

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

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2012

| | | <u>Governmental Activities</u> |
|--|----|------------------------------------|
| Assets: | | |
| Equity in pooled cash and investments | \$ | 8,921,902 |
| Cash and cash equivalents with fiscal agent. . . | | 102 |
| | | <hr/> |
| Total assets. | \$ | 8,922,004 |
| | | <hr/> <hr/> |
| Net Assets: | | |
| Restricted for: | | |
| Capital projects | \$ | 1,793,248 |
| Classroom facilities maintenance | | 441,056 |
| Debt service. | | 860,282 |
| Locally funded programs | | 6,355 |
| State funded programs. | | 558 |
| Federally funded programs | | 5,400 |
| Student activities | | 33,546 |
| Other purposes | | 34,141 |
| Unrestricted | | 5,747,418 |
| | | <hr/> |
| Total net assets | \$ | 8,922,004 |
| | | <hr/> <hr/> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Disbursements | Program Receipts | | | Net (Disbursement) Receipt and Changes in Net Assets |
|---|----------------------|-----------------------------------|---------------------------------------|-------------------------------------|---|
| | | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions | |
| Governmental activities: | | | | | |
| Instruction: | | | | | |
| Regular | \$ 4,020,078 | \$ 557,818 | \$ 192,124 | \$ 11,185 | \$ (3,258,951) |
| Special | 682,459 | 19,000 | 547,931 | | (115,528) |
| Vocational | 161,891 | 2,207 | 31,374 | | (128,310) |
| Other | 58,741 | | | | (58,741) |
| Support services: | | | | | |
| Pupil. | 374,474 | | 7,970 | | (366,504) |
| Instructional staff | 661,807 | | 49,126 | | (612,681) |
| Board of education | 28,023 | | | | (28,023) |
| Administration. | 765,051 | 16,060 | 872 | | (748,119) |
| Fiscal. | 274,394 | | 1,481 | | (272,913) |
| Operations and maintenance | 814,979 | 4,740 | 3,950 | 7,775 | (798,514) |
| Pupil transportation. | 559,339 | | 993 | | (558,346) |
| Central | 7,437 | | | | (7,437) |
| Operation of non-instructional services: | | | | | |
| Other non-instructional services | 41,385 | | 31,872 | | (9,513) |
| Food service operations | 457,111 | 219,296 | 251,191 | | 13,376 |
| Extracurricular activities. | 474,588 | 148,687 | 1,245 | 6,301 | (318,355) |
| Facilities acquisition and construction | 68,267 | | | | (68,267) |
| Debt service: | | | | | |
| Principal retirement | 523,057 | | | | (523,057) |
| Interest and fiscal charges | 99,353 | | | | (99,353) |
| Intergovernmental | 247,224 | | 230,035 | | (17,189) |
| Totals | \$ 10,319,658 | \$ 967,808 | \$ 1,350,164 | \$ 25,261 | (7,976,425) |

General Receipts:

| | |
|---|---------------------|
| Property taxes levied for: | |
| General purposes | 2,231,479 |
| Debt service. | 432,773 |
| Classroom facilities maintenance | 40,695 |
| Income taxes levied for: | |
| General purposes | 1,296,585 |
| Grants and entitlements not restricted | |
| to specific programs | 4,540,266 |
| Investment earnings | 70,248 |
| Miscellaneous | 42,402 |
| Total general receipts | 8,654,448 |
| Change in net assets | 678,023 |
| Net assets at beginning of year. | 8,243,981 |
| Net assets at end of year | \$ 8,922,004 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2012

| | <u>General</u> | <u>Permanent Improvement</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|----------------------------------|---|---|
| Assets: | | | | |
| Equity in pooled cash and investments. | \$ 5,747,418 | \$ 1,228,356 | \$ 1,946,128 | \$ 8,921,902 |
| Cash and cash equivalents with fiscal agent. | | | 102 | 102 |
| Total assets | \$ 5,747,418 | \$ 1,228,356 | \$ 1,946,230 | \$ 8,922,004 |
| Fund Balances: | | | | |
| Restricted: | | | | |
| Debt service | | | \$ 860,282 | \$ 860,282 |
| Capital improvements | | | 564,892 | 564,892 |
| Classroom facilities maintenance | | | 441,056 | 441,056 |
| Food service operations | | | 34,141 | 34,141 |
| Special education | | | 102 | 102 |
| Other purposes. | | | 12,211 | 12,211 |
| Committed: | | | | |
| Extracurricular. | | | 33,546 | 33,546 |
| Termination benefits. | \$ 114,085 | | | 114,085 |
| Assigned: | | | | |
| Capital improvements | | \$ 1,228,356 | | 1,228,356 |
| Student instruction | 7,584 | | | 7,584 |
| Student and staff support. | 54,859 | | | 54,859 |
| Subsequent year appropriations | 163,059 | | | 163,059 |
| Unassigned | 5,407,831 | | | 5,407,831 |
| Total fund balances | \$ 5,747,418 | \$ 1,228,356 | \$ 1,946,230 | \$ 8,922,004 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | General | Permanent Improvement | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------------|--------------------------------|--------------------------------|
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 2,231,479 | | \$ 473,468 | \$ 2,704,947 |
| Income taxes | 1,296,585 | | | 1,296,585 |
| Tuition | 533,179 | | | 533,179 |
| Earnings on investments | 61,719 | 12,257 | 18,683 | 92,659 |
| Charges for services | | | 219,296 | 219,296 |
| Extracurricular | 29,270 | | 135,377 | 164,647 |
| Classroom materials and fees | 45,846 | | | 45,846 |
| Rental income | 4,740 | | | 4,740 |
| Contributions and donations | 2,100 | 7,313 | | 9,413 |
| Contract services | 100 | | | 100 |
| Other local revenues | 42,402 | | | 42,402 |
| Intergovernmental - intermediate | | | 1,999 | 1,999 |
| Intergovernmental - state | 4,902,196 | | 145,015 | 5,047,211 |
| Intergovernmental - federal | 350 | | 834,307 | 834,657 |
| Total receipts | <u>9,149,966</u> | <u>19,570</u> | <u>1,828,145</u> | <u>10,997,681</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 3,786,813 | 25,931 | 207,334 | 4,020,078 |
| Special | 558,733 | | 123,726 | 682,459 |
| Vocational | 161,891 | | | 161,891 |
| Other | 58,741 | | | 58,741 |
| Support services: | | | | |
| Pupil | 366,266 | | 8,208 | 374,474 |
| Instructional staff | 604,422 | | 57,385 | 661,807 |
| Board of education | 28,023 | | | 28,023 |
| Administration | 765,051 | | | 765,051 |
| Fiscal | 253,939 | | 20,455 | 274,394 |
| Operations and maintenance | 737,718 | 36,693 | 40,568 | 814,979 |
| Pupil transportation | 559,339 | | | 559,339 |
| Central | 7,437 | | | 7,437 |
| Operation of non-instructional services: | | | | |
| Operation of non-instructional | 9,512 | | 31,873 | 41,385 |
| Food service operations | | | 457,111 | 457,111 |
| Extracurricular activities | 277,900 | 29,738 | 166,950 | 474,588 |
| Facilities acquisition and construction | | 68,267 | | 68,267 |
| Debt service: | | | | |
| Principal retirement | 238,057 | | 285,000 | 523,057 |
| Interest and fiscal charges | | | 99,353 | 99,353 |
| Intergovernmental | | | 247,224 | 247,224 |
| Total disbursements | <u>8,413,842</u> | <u>160,629</u> | <u>1,745,187</u> | <u>10,319,658</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>736,124</u> | <u>(141,059)</u> | <u>82,958</u> | <u>678,023</u> |
| Other financing sources (uses): | | | | |
| Transfers in | | 299,678 | | 299,678 |
| Transfers (out) | (299,678) | | | (299,678) |
| Advances in | 22,239 | | 48,016 | 70,255 |
| Advances (out) | (48,016) | | (22,239) | (70,255) |
| Total other financing sources (uses) | <u>(325,455)</u> | <u>299,678</u> | <u>25,777</u> | |
| Net change in fund balances | 410,669 | 158,619 | 108,735 | 678,023 |
| Fund balances at beginning of year | <u>5,336,749</u> | <u>1,069,737</u> | <u>1,837,495</u> | <u>8,243,981</u> |
| Fund balances at end of year | <u>\$ 5,747,418</u> | <u>\$ 1,228,356</u> | <u>\$ 1,946,230</u> | <u>\$ 8,922,004</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts: | | | | |
| From local sources: | | | | |
| Property taxes | \$ 2,132,440 | \$ 2,231,479 | \$ 2,231,479 | |
| Income taxes | 1,284,557 | 1,296,585 | 1,296,585 | |
| Tuition | 515,363 | 533,179 | 533,179 | |
| Earnings on investments | 82,268 | 62,149 | 61,719 | \$ (430) |
| Classroom materials and fees | 27,233 | 25,269 | 25,269 | |
| Rental income | 3,391 | 4,740 | 4,740 | |
| Other local revenues | 15,353 | 40,599 | 40,602 | 3 |
| Intergovernmental - state | 4,376,328 | 4,902,196 | 4,902,196 | |
| Intergovernmental - federal | | 350 | 350 | |
| Total receipts | <u>8,436,933</u> | <u>9,096,546</u> | <u>9,096,119</u> | <u>(427)</u> |
| Disbursements: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Regular | 4,116,184 | 3,777,370 | 3,772,592 | 4,778 |
| Special | 1,045,118 | 559,405 | 558,734 | 671 |
| Vocational | 162,547 | 161,566 | 161,372 | 194 |
| Other | 12,550 | 59,076 | 59,005 | 71 |
| Support services: | | | | |
| Pupil | 364,788 | 366,706 | 366,266 | 440 |
| Instructional staff | 549,564 | 605,513 | 604,787 | 726 |
| Board of education | 43,613 | 33,759 | 33,719 | 40 |
| Administration | 961,746 | 755,772 | 754,866 | 906 |
| Fiscal | 302,136 | 257,278 | 256,970 | 308 |
| Operations and maintenance | 805,998 | 756,992 | 756,084 | 908 |
| Pupil transportation | 584,208 | 563,319 | 562,644 | 675 |
| Central | 8,474 | 7,446 | 7,437 | 9 |
| Extracurricular activities | 263,298 | 263,040 | 262,675 | 365 |
| Debt service: | | | | |
| Principal | 239,966 | 238,343 | 238,057 | 286 |
| Total disbursements | <u>9,460,190</u> | <u>8,405,585</u> | <u>8,395,208</u> | <u>10,377</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(1,023,257)</u> | <u>690,961</u> | <u>700,911</u> | <u>9,950</u> |
| Other financing sources (uses): | | | | |
| Refund of prior year's expenditures | | 44,892 | 44,892 | |
| Transfers in | | 79,788 | 79,788 | |
| Transfers (out) | (377,826) | (479,465) | (479,465) | |
| Advances in | 25,000 | 26,479 | 22,239 | (4,240) |
| Advances (out) | (25,000) | (52,256) | (48,016) | 4,240 |
| Sale of capital assets | | 1,800 | 1,800 | |
| Total other financing sources (uses) | <u>(377,826)</u> | <u>(378,762)</u> | <u>(378,762)</u> | |
| Net change in fund balance | (1,401,083) | 312,199 | 322,149 | 9,950 |
| Fund balance at beginning of year | 5,144,903 | 5,144,903 | 5,144,903 | |
| Prior year encumbrances appropriated | 67,372 | 67,372 | 67,372 | |
| Fund balance at end of year | <u>\$ 3,811,192</u> | <u>\$ 5,524,474</u> | <u>\$ 5,534,424</u> | <u>\$ 9,950</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
JUNE 30, 2012

| | Private-Purpose Trust | |
|---|----------------------------------|---------------|
| | Scholarship | Agency |
| Assets: | | |
| Equity in pooled cash and investments | \$ 34,446 | \$ 27,653 |
| Net assets: | | |
| Held in trust for: | | |
| Scholarships | \$ 34,446 | |
| Employees | | \$ 1,606 |
| Students | | 26,047 |
| Total net assets | \$ 34,446 | \$ 27,653 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| | Private-Purpose Trust |
|--|----------------------------------|
| | Scholarship |
| Additions: | |
| Gifts and contributions. | \$ 32,622 |
| Deductions: | |
| Scholarships awarded | 100 |
| Change in net assets. | 32,522 |
| Net assets at beginning of year | 1,924 |
| Net assets at end of year. | \$ 34,446 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT AND REPORTING ENTITY

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

The School District was established in 1971. The School District serves an area of approximately 178 square miles consisting of the Villages of Payne and Grover Hill, and portions of Benton, Harrison, Blue Creek, Paulding, Latty, and Washington Townships. It is staffed by 46 non-certificated employees and 63 certified full-time teaching personnel who provide services to 1,054 students and other community members.

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

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". A reporting entity is composed of the primary government, component units, and other organizations that are included to insure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Wayne Trace Local School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. There are no component units of the School District.

The School District is associated with four jointly governed organizations and one group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, West Central Ohio Special Education Regional Resource Center, West Central Ohio Regional Professional Development Center, Vantage Vocational School, Paulding County School Consortium's Employee Insurance Benefits Program and Metropolitan Education Council. These organizations are presented in Notes 12 and 13 of the financial statements.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

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

B. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

C. Fund Accounting

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

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

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

The funds of the financial reporting entity are described below:

Governmental Funds/Governmental Activities

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

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanent Improvement Fund - This fund is used to account for financial resources that are restricted, committed or assigned for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Other governmental funds of the School District are used to account for (a) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (b) financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include private purpose trust and agency funds. The School District's private purpose trust fund accounts for a program that provides for community service activities. Agency funds are custodial in nature (assets equal net assets) and do not involve measurement of results of operations. The School District's agency funds include various student-managed activities.

D. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control selected by the Board is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Budgetary allocations at the object level within the General Fund, and at the function and object level within all other funds, are made by the Treasurer.

Tax Budget

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimated Resources

The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about July 1 this certificate is amended to include any unencumbered balances from the preceding fiscal year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2011 unencumbered fund balances. However, those fund balances are available for appropriations.

Appropriations

Temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

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

Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. Expenditures plus encumbrances may not legally exceed appropriations. Encumbrances at year-end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds.

Lapsing of Appropriations

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

E. Cash and Cash Equivalents

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

During fiscal year 2012, the School District invested in negotiable and nonnegotiable certificates of deposits, repurchase agreements, State Treasury Asset Reserve of Ohio (STAR Ohio), Federal Home Loan Bank (FHLB) bonds, Federal National Mortgage Association (FNMA) bonds, Federal Home Loan Mortgage Corporation (FHLMC) bonds and Farm Federal Credit Bank (FFCB) bonds. With the exception of STAR Ohio, investments are reported at cost basis. Investments in STAR Ohio are valued at STAR Ohio's shares price, which is the price the investment could be sold for on June 30, 2012.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest receipts for the General Fund during fiscal year 2012 were \$61,719, which includes approximately \$20,318 interest assigned from other school district funds.

F. Capital Assets

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

G. Accumulated Leave

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

H. Long-Term Debt

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

I. Intergovernmental Receipts

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

J. Inventory and Prepaid Items

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Receivables/Payables

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

L. Interfund Transactions

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

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

M. Employer Contributions to Cost-Sharing Pension Plans

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

N. Equity Classifications

GOVERNMENT-WIDE STATEMENTS

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

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

Net assets restricted for other purposes include resources restricted for food service operations. The School District's policy is to first apply restricted resources when a cash disbursement is incurred for purposes for which both restricted and unrestricted net assets are available. There were no net assets restricted by enabling legislation as of June 30, 2012.

O. Fund Cash Balance

The School District reports classifications of fund cash balance based on the extent to which the School District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the School District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the School District's formal purchasing procedure by the Treasurer. Through the School District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned.

The School District applies restricted resources first when a disbursement is incurred for purposes for which restricted and unrestricted fund cash balance is available. The School District considers committed, assigned, and unassigned fund cash balances, respectively, to be spent when disbursements are incurred for purposes for which any of the unrestricted fund cash balance classifications could be used.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2012, the School District has implemented GASB Statement No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans", and GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions - an Amendment of GASB Statement No. 53".

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans. The implementation of GASB Statement No. 57 did not have an effect on the financial statements of the School District.

GASB Statement No. 64 clarifies the circumstances in which a hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the School District.

B. Compliance

Ohio Administrative Code Section 117-2-03 requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. For fiscal year 2012, the School District prepared its financial report on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This financial report omits assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States treasury notes, bills, bonds, or other obligations or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio); STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940;

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time;
8. Under certain circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

A. Cash with Fiscal Agent

At June 30, 2012, the School District had \$102 in cash with fiscal agent held by the Western Buckeye Educational Service Center, which is included on the statement of net assets and balance sheet as "cash and cash equivalents with fiscal agents."

B. Deposits with Financial Institutions

At June 30, 2012, the carrying amount of all School District deposits was \$1,102,580. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2012, \$29,617 of the School District's bank balance of \$1,196,198 was exposed to custodial risk as discussed below, while \$1,166,581 was covered by the Federal Deposit Insurance Corporation (FDIC).

Custodial credit risk is the risk that, in the event of bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District. The School District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

C. Investments

As of June 30, 2012, the School District had the following investments and maturities:

| Investment type | Carrying Amount | Investment Maturities | | | | |
|----------------------|---------------------|-----------------------|---------------------|-------------------|-------------------|------------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| Negotiable CD's | \$ 4,267,020 | \$ 904,000 | \$ 1,372,000 | \$ 853,000 | \$ 642,000 | \$ 496,020 |
| FHLB | 450,068 | | | | | 450,068 |
| FHLMC | 100,000 | | | | | 100,000 |
| FFCB | 200,023 | | | | | 200,023 |
| FNMA | 900,024 | | | | | 900,024 |
| Repurchase agreement | 1,959,157 | 1,959,157 | | | | |
| STAR Ohio | 5,129 | 5,129 | | | | |
| Total | <u>\$ 7,881,421</u> | <u>\$ 2,868,286</u> | <u>\$ 1,372,000</u> | <u>\$ 853,000</u> | <u>\$ 642,000</u> | <u>\$ 2,146,135</u> |

The weighted average maturity of investments is 1.77 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The School District's investments in federal agency securities and the federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio Law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating standard service rating. The School District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the School District's name. Of the School District's investment in a repurchase agreement, the entire balance is collateralized by underlying securities that are held 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 securities subject to a repurchase 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.

Concentration of Credit Risk: The School District places no limit on the amount that may be invested in any one issuer other than for commercial paper and banker's acceptances. The following table includes the percentage of each investment type held by the District at June 30, 2012:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 4 - DEPOSITS AND INVESTMENTS (Continued)

| <u>Investment type</u> | <u>Fair Value</u> | <u>% to Total</u> |
|------------------------|---------------------|-------------------|
| Negotiable CD's | \$ 4,267,020 | 54.13 |
| FHLB | 450,068 | 5.71 |
| FHLMC | 100,000 | 1.27 |
| FFCB | 200,023 | 2.54 |
| FNMA | 900,024 | 11.42 |
| Repurchase agreement | 1,959,157 | 24.86 |
| STAR Ohio | <u>5,129</u> | <u>0.07</u> |
| Total | <u>\$ 7,881,421</u> | <u>100.00</u> |

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2012:

| <u>Cash and investments per note</u> | |
|--------------------------------------|---------------------|
| Carrying amount of deposits | \$ 1,102,580 |
| Investments | 7,881,421 |
| Cash with fiscal agent | <u>102</u> |
| Total | <u>\$ 8,984,103</u> |

| <u>Cash and investments per financial statements</u> | |
|--|---------------------|
| Governmental activities | \$ 8,922,004 |
| Private-purpose trust funds | 34,446 |
| Agency funds | <u>27,653</u> |
| Total | <u>\$ 8,984,103</u> |

NOTE 5 - 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 5 - PROPERTY TAXES (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the School District. Real property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Real property taxes received in calendar year 2012 were levied after April 1, 2011, on the assessed values as of January 1, 2011, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2012 represent the collection of calendar year 2011 taxes. Public utility real and tangible personal property taxes received in calendar year 2012 became a lien on December 31, 2010, were levied after April 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the School District's fiscal year ended June 30, 2012 (other than public utility property) generally represent the collection of calendar year 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Amounts paid by multi-county taxpayers were due September 20, 2011. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2011, with the remainder payable by September 20, 2011.

The School District receives property taxes from Paulding, Van Wert and Putnam Counties. 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, 2012, are available to finance fiscal year 2012 operations.

The assessed values upon which the fiscal year 2012 taxes were collected are:

| | 2011 Second Half Collections | | 2012 First Half Collections | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | <u>Amount</u> | <u>Percent</u> | <u>Amount</u> | <u>Percent</u> |
| Agricultural/residential and other real estate | \$ 105,966,330 | 89.10 | \$ 107,159,670 | 88.94 |
| Public utility personal | <u>12,961,160</u> | <u>10.90</u> | <u>13,323,920</u> | <u>11.06</u> |
| Total | <u>\$ 118,927,490</u> | <u>100.00</u> | <u>\$ 120,483,590</u> | <u>100.00</u> |

Tax rate per \$1,000 of
assessed valuation for:

| | | |
|--------------|---------|---------|
| General | \$27.70 | \$27.70 |
| Debt service | 5.03 | 3.45 |
| Maintenance | 0.50 | 0.50 |

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 6 - INCOME TAX

The School District levies a tax of 1.25 percent for general operations on the income of residents and of estates. Of the overall 1.25 percent taxes, .75 percent is a five-year renewable tax, last renewed in November 2010; .5 percent of the income tax is a continuing tax. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax receipts are credited to the general fund.

NOTE 7 - DEBT OBLIGATIONS

Debt obligations of the School District at June 30, 2012 consisted of the following:

| | | Balance Outstanding <u>June 30, 2011</u> | <u>Additions</u> | <u>Deletions</u> | Balance Outstanding <u>June 30, 2012</u> | Amount Due in <u>One Year</u> |
|----------------------------------|----------------|--|-------------------|---------------------|--|-------------------------------------|
| <u>General Obligation Bonds:</u> | | | | | | |
| 2001 School Improvement Bonds | | | | | | |
| Current interest serial bonds | 3.25-4.45% | \$ 230,000 | | \$ (230,000) | | |
| Capital appreciation bonds | 13.017-13.015% | 216,625 | | | \$ 216,625 | \$ 79,278 |
| Accretion of interest | | 365,811 | \$ 57,531 | | 423,342 | 154,471 |
| 2011 Refunding Bonds | | | | | | |
| Current interest serial bonds | 1.00-3.90% | 3,060,000 | | (55,000) | 3,005,000 | 55,000 |
| Capital appreciation bonds | 29.39% | 139,993 | | | 139,993 | |
| Accretion of interest | | 26,339 | 48,723 | | 75,062 | |
| Judgment Loan Payable | | <u>3,360,149</u> | | <u>(238,057)</u> | <u>3,122,092</u> | <u>243,801</u> |
| Total Debt Obligations | | <u>\$ 7,398,917</u> | <u>\$ 106,254</u> | <u>\$ (523,057)</u> | <u>\$ 6,982,114</u> | <u>\$ 532,550</u> |

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

2001 Current Interest Bonds (Serial) - The Current Interest Bonds were issued for an eleven fiscal year period with final maturity on December 1, 2011. There are no further obligations.

2001 Capital Appreciation Bonds - The Capital Appreciation Bonds will mature in fiscal years 2013 through 2015. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2012, is \$639,967. Capital Appreciation Bonds are not subject to redemption prior to maturity.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 7 - DEBT OBLIGATIONS (Continued)

Payment requirements to retire general obligation debt outstanding at June 30, 2012 are as follows:

| Fiscal Year Ending June 30 | Capital Appreciation G.O. Bonds (Series 2001) | | |
|-------------------------------|--|-------------------|-------------------|
| | Principal | Interest | Total |
| 2013 | \$ 79,278 | \$ 165,722 | \$ 245,000 |
| 2014 | 71,980 | 173,020 | 245,000 |
| 2015 | <u>65,367</u> | <u>179,633</u> | <u>245,000</u> |
| Total | <u>\$ 216,625</u> | <u>\$ 518,375</u> | <u>\$ 735,000</u> |

Series 2010 Refunding General Obligation Bonds - On September 29, 2010, the District issued general obligation bonds (Series 2010 Refunding Bonds) to advance refund the callable portion of the Series 2001 school improvement current interest bonds. This refunded debt is considered defeased (in-substance).

The refunding issue is comprised of both current interest bonds, par value \$3,110,000 and capital appreciation bonds par value \$139,993. The interest rates on the current interest bonds range from 1.00% - 3.90%. The capital appreciation bonds mature on December 1, 2015 and December 31, 2016 (actual interest rate 27.394%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds maturing December 1, 2015 and December 31, 2016 are \$300,000 and \$295,000, respectively. Total accreted interest of \$75,062 has been included on the debt schedule at June 30, 2012.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2028.

The following is a summary of the future debt service requirements to maturity for the series 2007 refunding bonds:

| Fiscal Year Ending June 30 | Current Interest Bonds | | | Capital Appreciation Bonds | | |
|-------------------------------|------------------------|-------------------|---------------------|----------------------------|-------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2013 | \$ 55,000 | \$ 93,685 | \$ 148,685 | | | |
| 2014 | 55,000 | 92,970 | 147,970 | | | |
| 2015 | 55,000 | 92,090 | 147,090 | | | |
| 2016 | | 91,650 | 91,650 | \$ 79,512 | \$ 220,488 | \$ 79,512 |
| 2017 | | 91,650 | 91,650 | 60,481 | 234,519 | 295,000 |
| 2018 - 2022 | 1,565,000 | 348,405 | 1,913,405 | | | |
| 2023 - 2027 | 1,030,000 | 114,679 | 1,144,679 | | | |
| 2028 - 2029 | <u>245,000</u> | <u>9,652</u> | <u>254,652</u> | | | |
| Total | <u>\$ 3,005,000</u> | <u>\$ 934,781</u> | <u>\$ 3,939,781</u> | <u>\$ 139,993</u> | <u>\$ 455,007</u> | <u>\$ 595,000</u> |

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 7 - DEBT OBLIGATIONS (Continued)

Judgment Loan Payable - On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the School District in a lawsuit, which was filed as the result of an accident involving a School District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the School District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2012, are as follows:

| Fiscal year Ending June 30, | Judgment Loan |
|-----------------------------------|--------------------|
| 2013 | \$243,801 |
| 2014 | 249,896 |
| 2015 | 256,144 |
| 2016 | 262,547 |
| 2017 | 269,111 |
| 2018-2022 | 1,449,899 |
| 2023 | 390,694 |
| Total | <u>\$3,122,092</u> |

Payments on the above obligations are deducted from the School District's General Fund monthly Foundation payments by the State. The monthly deductions are equal to one-twelfth of two-thousandths or 2 mils of the School District's total taxable value reported for the lesser of 25 years or a period equal to the number of years required to pay off the loan, commencing July of 1998.

Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the School District shall never exceed 9% of the total assessed valuation of the School District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the School District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the School District. The assessed valuation used in determining the School District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the School District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2012, are a voted debt margin of \$8,342,187 (including available funds of \$860,282) and an unvoted debt margin of \$120,484.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 8 - RISK MANAGEMENT

1. Property and Liability

The School District is exposed to various risks related to torts, theft of, damage to, and destruction of assets, error and omissions, injuries to employees and natural disasters. During fiscal year 2012, the School District contracted with Ohio Casualty Company for property, fleet, violence and liability insurance in the amounts as follows:

| | |
|--|------------------|
| Bodily Injury and Property Damage | \$ 1,000,000 |
| Personal Injury/Advertising Liability | 1,000,000 |
| Products/Completed Operations Aggregate Limit | 2,000,000 |
| General Annual Aggregate | 2,000,000 |
| Fire Legal Liability | 300,000 |
| Medical Payments Any One Person | 15,000 |
| Errors or Omissions | 1,000,000 |
| Errors or Omissions Aggregate | 1,000,000 |
| Employment Practices Liability | 1,000,000 |
| Employment Practices Liability Aggregate | 1,000,000 |
| Owned/Leased Vehicles | 1,000,000 |
| Medical Payments | 5,000 |
| Uninsured Motorist | 1,000,000 |
| Automobile Physical Damage (10 year or new vehicles) | Replacement Cost |
| Property per Occurrence Limit | |
| Employee Dishonesty/Faithful Performance of Duty | 50,000 |
| Forgery or Alteration | 50,000 |
| Computer Fraud | 50,000 |
| Money & Securities- In | 50,000 |
| Money & Securities- Out | 50,000 |
| Umbrella each occurrence | 4,000,000 |
| Umbrella Aggregate | 4,000,000 |

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage since fiscal year 2011.

2. Health Care Benefits

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

3. Workers' Compensation

For fiscal year 2012, the School District's Workers' Compensation managed care organization is contracted with Sheakley Worker's Compensation. The School District did not qualify for a Group Rating Program (GRP) due to prior claims. Participation in the GRP is limited to School Districts that can meet the GRP's selection criteria.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2012, 12.65 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2012, 2011 and 2010 were \$164,040, \$151,844 and \$156,479, respectively; 62.31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org, under "Publications".

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 9 - PENSION PLANS (Continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2012, 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. 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 STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$456,774, \$440,763 and \$432,010, respectively; 83.78 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2012, certain members of the Board of Education have elected Social Security. The School District's liability is 6.2 percent of wages paid.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The School District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) 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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

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 105(e). For 2012, 0.55 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2012, 2011 and 2010 were \$28,973, \$36,829 and \$22,618, respectively; 62.31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 10 - POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2012, this actuarially required allocation was 0.75 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2012, 2011, and 2010 were \$7,104, \$9,772 and \$9,305, respectively; 62.31 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

B. State Teachers Retirement System of Ohio

Plan Description - The School District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "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 report of STRS Ohio which may be obtained by visiting www.strsoh.org, under "Publications" or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the 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 2011, 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, 2012, 2011 and 2010 were \$35,136, \$33,905 and \$33,232, respectively; 83.78 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

NOTE 11 - STATUTORY RESERVES

The School District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

| | <u>Capital Improvements</u> |
|---|---------------------------------|
| Current year set-aside requirement | \$ 169,095 |
| Current year offsets | <u>\$ (169,095)</u> |
| Total | ===== |
| Balance carried forward to fiscal year 2013 | ===== |
| Set-aside balance June 30, 2012 | ===== |

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 12 - JOINTLY GOVERNED ORGANIZATIONS

Northwest Ohio Area Computer Services Cooperative - The Northwest Ohio Area Computer Services Cooperative ("NOACSC") is a jointly governed organization among forty-seven school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts. Each of the governments of these schools supports NOACSC based upon a per pupil charge dependent upon the software package utilized.

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

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

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 13 - GROUP PURCHASING POOLS

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

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

Metropolitan Educational Council - The Metropolitan Educational Council (MEC) is a purchasing cooperative made up of 193 districts in 42 counties. The purpose of the cooperative is to obtain prices for quality merchandise and services commonly used by schools. All member districts are obligated to pay all fees, charges, or other assessments as established by the MEC. The Governing Board of MEC consists of one voting representative from each member district. The School District purchases electric through the MEC program. To obtain financial information, write to Metropolitan Educational Council, Elmo Kallner, who serves as Director, 6100 Channingway Boulevard, Suite 604, Columbus, Ohio 43232.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 14 - INTERFUND TRANSACTIONS

- A. Advances in/advances out consisted of the following at June 30, 2012 as reported on the fund statement:

| <u>Advances In</u> | <u>Advances Out</u> | <u>Amount</u> |
|-----------------------------|-----------------------------|------------------|
| General fund | Nonmajor governmental funds | \$ 22,239 |
| Nonmajor governmental funds | General fund | <u>48,016</u> |
| Total | | <u>\$ 70,255</u> |

The primary purpose of the advances is to cover costs in specific funds where revenues were not received by June 30. Advances in to the general fund in the amount of \$22,239 were repayment of prior year advances. The remaining advances will be repaid once the anticipated revenues are received.

Advances between governmental funds are eliminated on the government-wide financial statements.

- B. Interfund transfers for the year ended June 30, 2012, consisted of the following, as reported on the fund statements:

| <u>Transfers from general fund to:</u> | <u>Amount</u> |
|--|-------------------|
| Permanent improvement fund | <u>\$ 299,678</u> |

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

NOTE 15 - CONTINGENCIES

Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2012.

The Auditor of State is currently performing a statewide review of supporting documentation for student attendance data reported to the Ohio Department of Education. The results of this review are still pending and will be reported separately to the Ohio Department of Education at a later date.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

NOTE 15 – CONTINGENCIES (Continued)

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. This also encompasses the Auditor of State’s ongoing review of student attendance data. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2012, if applicable, cannot be determined at this time.

NOTE 16 - BUDGETARY BASIS

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is outstanding year-end encumbrances that are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and certain funds included in the General fund as part of the GASB 54 requirements are not included in the budgetary statement.

The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement for the general fund:

Net Change in Fund Cash Balance

| | <u>General fund</u> | |
|-----------------------------|---------------------|--|
| Cash basis | \$ 410,669 | |
| Funds budgeted elsewhere | (43,149) | |
| Adjustment for encumbrances | <u>(45,371)</u> | |
| Budget basis | <u>\$ 322,149</u> | |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a cash basis. This includes the uniform school supplies fund, public school support fund, special trust fund, rotary fund and termination benefits funds.

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 17 - COMMITMENTS

The School District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the School District's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u> | <u>Year-end Encumbrances</u> |
|----------------------------|----------------------------------|
| General fund | \$ 46,347 |
| Permanent improvement fund | 79,066 |
| Other governmental | <u>570,142</u> |
| Total | <u>\$ 695,555</u> |

WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Federal CFDA Number | Receipts | Disbursements |
|---|---------------------------|-------------------------|-------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Child Nutrition Cluster:</u> | | | |
| School Breakfast Program | 10.553 | \$49,702 | \$49,702 |
| National School Lunch Program | 10.555 | | |
| Cash Assistance | | 196,467 | 196,467 |
| Non- Cash Assistance (Food Distribution) | | 13,416 | 13,416 |
| Total National School Lunch Program | | <u>209,883</u> | <u>209,883</u> |
| Total U.S. Department of Agriculture | | <u>259,585</u> | <u>259,585</u> |
| UNITED STATES DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | |
| <u>Title I, Part A Cluster:</u> | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 121,878 | 130,125 |
| ARRA - Title I Grants to Local Educational Agencies | 84.389 | 110 | 110 |
| Total Title I, Part A Cluster | | <u>121,988</u> | <u>130,235</u> |
| ARRA - Special Education Grants to States | 84.391 | 8,163 | 8,163 |
| Title II-D Technology Grant | 84.318 | 344 | 344 |
| Education Jobs Fund | 84.410 | 121,368 | 134,873 |
| ARRA - Race-to-the-Top Incentive Grants, Recovery Act | 84.395 | 37,583 | 37,827 |
| Improving Teacher Quality State Grants | 84.367 | <u>55,951</u> | <u>54,128</u> |
| Total U.S. Department of Education | | <u>345,397</u> | <u>365,570</u> |
| Total Federal Awards Receipts and Expenditures | | <u>\$604,982</u> | <u>\$625,155</u> |

The accompanying notes are an integral part of this Schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the Wayne Trace Local School District'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 program 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 Trace Local School District
Paulding County
4915 US Highway 127
Haviland, Ohio 45851-9738

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wayne Trace Local School District, Paulding County, Ohio (the District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 5, 2012, wherein we noted the District uses a comprehensive accounting basis other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions 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 2012-002 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 an instance of noncompliance we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-001.

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

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

Dave Yost
Auditor of State

November 5, 2012



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

To the Board of Education

Compliance

We have audited the compliance of Wayne Trace Local School District, Paulding County, 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 the District's major federal programs for the year ended June 30, 2012. 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 opine on the District's compliance based on our audit.

Our compliance audit followed 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*. These 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 these 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 these requirements.

In our opinion, the Wayne Trace Local School District, Paulding County, Ohio 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, 2012.

Internal Control Over Compliance

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

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

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

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

November 5, 2012

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2012**

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|---------------------|---|---|
| <i>(d)(1)(i)</i> | Type of Financial Statement Opinion | Unqualified |
| <i>(d)(1)(ii)</i> | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(ii)</i> | Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)? | No |
| <i>(d)(1)(iii)</i> | Was there any reported material noncompliance at the financial statement level (GAGAS)? | Yes |
| <i>(d)(1)(iv)</i> | Were there any material internal control weaknesses reported for major federal programs? | No |
| <i>(d)(1)(iv)</i> | Were there any significant deficiencies in internal control reported for major federal programs? | No |
| <i>(d)(1)(v)</i> | Type of Major Programs' Compliance Opinion | Unqualified |
| <i>(d)(1)(vi)</i> | Are there any reportable findings under § .510(a)? | No |
| <i>(d)(1)(vii)</i> | Major Programs (list): | Nutrition Cluster – School Breakfast Program CFDA #10.553 and National School Lunch Program CFDA#10.555 Education Jobs Fund – CFDA #84.410 |
| <i>(d)(1)(viii)</i> | Dollar Threshold: Type A/B Programs | Type A: > \$ 300,000 Type B: all others |
| <i>(d)(1)(ix)</i> | Low Risk Auditee? | No |

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

FINDING NUMBER 2012-001

Noncompliance Citation

Ohio Revised Code, § 117.38, provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office.

**FINDING NUMBER 2012-001
(Continued)**

Ohio Administrative Code §117-2-03(B), which further clarifies the requirements of Ohio Revised Code § 117.38. requires the District to file annual financial reports which are prepared using generally accepted accounting principles.

For 2012, the District prepared financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the cash basis of accounting. This presentation differs from accounting principles generally accepted in the United States of America (GAAP). There would be variances on the financial statements between the District's accounting practice and GAAP that, while presumably material, cannot be reasonably determined at this time. The District can be fined and various other administrative remedies may be taken against the District

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

Officials' Response:

The State of Ohio views the current method used as an acceptable form of presenting the operations of the District but Ohio Revised Code sets the higher standard of full GAAP conversion. After comparing the benefits of meeting the full requirements of the Ohio Administrative Code §117-2-03(B) it has been determined that the excessive burden in both time and cost to meet the full requirements has no redeemable value.

FINDING NUMBER 2012-002

Material Weakness – Fund Balance Classification

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

Assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The foundation revenues of the District's permanent improvements fund are income tax monies which the Board of Education transferred from the General fund. This action by the Board assigns the monies for use toward permanent improvements. The District classified these monies as restricted.

An adjustment was recorded to the 2012 financial statements to classify the permanent improvements fund balance of \$1,228,356 as assigned.

In order to ensure the District's governmental fund balances are reported in accordance with GASB 54, we recommend the District review Auditor of State Bulletin 2011-004.

Officials' Response:

The Permanent Improvements fund has received its funding as a transfer from the income tax collection since its inception in 1991, and all prior audits have accepted this fund classification without issue. The Auditor of State's decision to treat this as a finding, though correct, for an issue that is more technical than practical seems extreme since the guidance was first issued in September 2012.

**FINDING NUMBER 2012-002
(Continued)**

Auditor of State's Conclusion:

Governmental Accounting Standards Board (GASB) Statement 54 was issued in February 2009 for implementation for all fiscal years beginning after June 15, 2010 and the Auditor of State issued Audit Bulletin 2011-004 on September 29, 2011 to provide guidance on the implementation of GASB Statement 54. In addition, the decision to include this finding in the schedule of findings was based on the guidance provided in Statement of Auditing Standards 115 (Codification of Statements on Auditing Standards (AU) 325).

| |
|---------------------------------------|
| 3. FINDINGS FOR FEDERAL AWARDS |
|---------------------------------------|

None

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
WILLIAMS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
JUNE 30, 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2011-001 | Ohio Revised Code §117.38 and Ohio Administrative Code §117-2-03 (B) – requires the District to prepare its annual financial report in accordance with generally accepted accounting principles. | No | Not Corrected. Reissued as finding 2012-001 in this report. |
| 2011-002 | Questioned Cost – Bus and facilities maintenance costs of \$44,600 were incorrectly charged to State Fiscal Stabilization Fund Grant. | Yes | |

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Dave Yost • Auditor of State

WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 20, 2012