



**Auditor of State
Betty Montgomery**

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

We have audited the accompanying general-purpose financial statements of Wayne Trace Local School District (the School District) as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the School District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Wayne Trace Local School District, Paulding County, Ohio, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2003 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 16, 2003

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS:				
Assets:				
Equity in Pooled Cash and Cash and Cash Equivalents	\$483,353	\$258,527	\$486,335	\$8,742,662
Cash with fiscal agents		16,472		
Receivables:				
Taxes	1,932,594	36,925	521,013	442,340
Due from other funds	51,374			133
Intergovernmental Receivable		23,024		11,818,751
Material and Supplies Inventory				
Prepaid Items	23,358			
Fixed Assets (Net, where applicable, of Accumulated Depreciation)				
Other Debits:				
Amount Available in Debt Service Fund				
Amount to be Provided for Retirement of General Long-Term Debt				
Total Assets and Other Debits	\$2,490,679	\$334,948	\$1,007,348	\$21,003,886

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
\$39,255	\$48,233			\$10,058,365 16,472
				2,932,872 51,507
9,284				11,851,059
6,541				6,541 23,358
77,829		\$10,151,981		10,229,810
			\$506,993	506,993
			10,824,686	10,824,686
\$132,909	\$48,233	\$10,151,981	\$11,331,679	\$46,501,663

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
As of June 30, 2002
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS:				
Liabilities:				
Accounts Payable	\$3,139	\$41,228		\$15,453
Accrued Salaries and Benefits	516,981	23,867		
Compensated Absences Payable	7,004			
Due to other funds	133		\$10,374	
Intergovernmental Payable	89,503	3,669		
Contracts Payable				304,951
Deferred Revenue	1,616,380	36,925	489,981	12,169,484
Undistributed Monies				
Due to Students				
Judgment Loan Payable				
Capital Lease Payable				
Bonds Payable				
Total Liabilities	2,233,140	105,689	500,355	12,489,888
Fund Equity and Other Credits:				
Investment in General Fixed Assets				
Contributed Capital				
Retained Earnings (Deficit)				
Fund Balance:				
Reserved for Encumbrances	52,556	12,784		151,819
Reserved for Prepaid Items	23,358			
Reserved for Debt Service			475,962	
Reserved for Property Taxes	108,262		31,031	2,485
Unreserved, Undesignated	73,363	216,475		8,359,694
Total Fund Equity and Other Credits	257,539	229,259	506,993	8,513,998
Total Liabilities, Fund Equity and Other Credits	\$2,490,679	\$334,948	\$1,007,348	\$21,003,886

The notes to the general-purpose financial statements are an integral part of this statement.

Proprietary Fund Type	Fiduciary Fund Type	Account Groups		Totals (Memorandum Only)
		General Fixed Assets	General Long-Term Obligations	
Enterprise	Agency			
				\$59,820
\$21,661	\$452			562,961
8,492			\$236,487	251,983
41,000				51,507
12,582			54,913	160,667
				304,951
3,624				14,316,394
	1,595			1,595
	46,186			46,186
			5,007,447	5,007,447
765			15,481	16,246
			6,017,351	6,017,351
88,124	48,233		11,331,679	26,797,108
		\$10,151,981		10,151,981
57,641				57,641
(12,856)				(12,856)
				217,159
				23,358
				475,962
				141,778
				8,649,532
44,785		10,151,981		19,704,555
\$132,909	\$48,233	\$10,151,981	\$11,331,679	\$46,501,663

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002**

	General	Special Revenue
Revenues:		
Taxes	\$2,059,536	\$36,772
Tuition and Fees	141,959	
Intergovernmental	4,999,918	769,123
Interest	44,866	313
Extracurricular Activities		205,143
Rent	780	
Customer Services	1	5,137
Miscellaneous	137,558	30,371
	7,384,618	1,046,859
Total Revenues		
Expenditures:		
Current:		
Instruction:		
Regular	3,366,920	266,645
Special	547,258	335,599
Vocational	118,493	
Other	17,855	
Support Services:		
Pupils	280,864	11,809
Instruction	213,582	88,227
Board of Education	68,346	
Administration	688,683	47,571
Fiscal	175,897	8,246
Operation and Maintenance	492,704	
Transportation	403,517	
Central Services	1,203	371
Extracurricular Activities	165,099	187,838
Capital Outlay		
Debt Service:		
Principal	162,742	
Interest		
	6,703,163	946,306
Total Expenditures		
Excess of Revenues Over (Under) Expenditures	681,455	100,553
Other Financing Sources and (Uses):		
Transfer In		
Transfer Out	(337,665)	
Other Financing Sources		
	(337,665)	
Total Other Financing Sources and (Uses)		
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Before Extraordinary Loss	343,790	100,553
Extraordinary Loss on Investments	(331,076)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses After Extraordinary Loss	12,714	100,553
Fund Balances at Beginning of Year	244,825	128,706
Fund Balances at End of Year	\$257,539	\$229,259

The notes to the general-purpose financial statements are an integral part of this statement.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
\$482,934	\$267,466	\$2,846,708
		141,959
49,573	3,205,760	9,024,374
58,572	278,714	382,465
		205,143
		780
		5,138
		<u>167,929</u>
<u>591,079</u>	<u>3,751,940</u>	<u>12,774,496</u>
	120,828	3,754,393
		882,857
		118,493
		17,855
		292,673
		301,809
		68,346
		736,254
14,791	2,778	201,712
		492,704
		403,517
		1,574
		352,937
	1,564,700	1,564,700
645,000	5,671,626	6,479,368
409,378		<u>409,378</u>
<u>1,069,169</u>	<u>7,359,932</u>	<u>16,078,570</u>
<u>(478,090)</u>	<u>(3,607,992)</u>	<u>(3,304,074)</u>
	337,665	337,665
		(337,665)
<u>256</u>		<u>256</u>
<u>256</u>	<u>337,665</u>	<u>256</u>
(477,834)	(3,270,327)	(3,303,818)
	(336,178)	<u>(667,254)</u>
(477,834)	(3,606,505)	(3,971,072)
984,827	12,120,503	<u>13,478,861</u>
<u>\$506,993</u>	<u>\$8,513,998</u>	<u>\$9,507,789</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$2,053,525	\$2,029,222	(\$24,303)
Tuition and Fees	142,922	141,959	(963)
Intergovernmental	5,000,139	4,999,918	(221)
Interest	55,000	43,284	(11,716)
Rent	800	780	(20)
Extracurricular Activities			
Customer Services	1	1	
Miscellaneous	137,872	137,559	(313)
Total Revenues	7,390,259	7,352,723	(37,536)
Expenditures:			
Current:			
Instruction:			
Regular	3,413,500	3,414,797	(1,297)
Special	548,301	548,301	
Vocational	115,754	115,754	
Other	17,465	17,465	
Support Services:			
Pupils	282,445	282,445	
Instruction	213,383	213,383	
Board of Education	78,529	78,529	
Administration	695,124	695,616	(492)
Fiscal	177,099	176,757	342
Operation and Maintenance	515,193	511,206	3,987
Transportation	407,747	408,925	(1,178)
Central Services	1,193	1,193	
Extracurricular Activities	165,836	165,836	
Capital Outlay			
Debt Service:			
Principal	164,229	162,742	1,487
Interest			
Total Expenditures	6,795,798	6,792,949	2,849
Excess of Revenues Over (Under) Expenditures	594,461	559,774	(34,687)
Other Financing Sources and (Uses):			
Operating Transfers In			
Advances In			
Proceeds from Sale of Fixed Assets	1,500		(1,500)
Refund of Prior Year Expenditures	6,000	5,982	(18)
Other Financing Sources			
Operating Transfers Out	(337,665)	(337,665)	
Advances Out	(10,373)	(10,373)	
Total Other Financing Sources and (Uses)	(340,538)	(342,056)	(1,518)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Before Extraordinary Loss	253,923	217,718	(36,205)
Extraordinary Loss on Investments	(331,076)	(331,076)	
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses After Extraordinary Loss	(77,153)	(113,358)	(36,205)
Fund Balances at Beginning of Year	406,311	406,311	
Prior Year Encumbrances Appropriated	135,647	135,647	
Fund Balances at End of Year	\$464,805	\$428,600	(\$36,205)

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$38,197	\$36,833	(\$1,364)	\$470,238	\$452,583	(\$17,655)
623,500	615,900	(7,600)	61,802	49,574	(12,228)
750	313	(437)	85,000	58,572	(26,428)
237,198	205,143	(32,055)			
5,500	5,137	(363)			
32,929	30,371	(2,558)			
<u>938,074</u>	<u>893,697</u>	<u>(44,377)</u>	<u>617,040</u>	<u>560,729</u>	<u>(56,311)</u>
270,365	270,365				
231,402	231,402				
11,817	11,817				
86,361	86,361				
30,910	30,910				
7,198	7,198		14,791	14,791	
371	371				
206,245	199,044	7,201			
			645,000	645,000	
			409,379	409,379	
<u>844,669</u>	<u>837,468</u>	<u>7,201</u>	<u>1,069,170</u>	<u>1,069,170</u>	
<u>93,405</u>	<u>56,229</u>	<u>(37,176)</u>	<u>(452,130)</u>	<u>(508,441)</u>	<u>(56,311)</u>
			10,373	10,373	
			256	256	
			<u>10,629</u>	<u>10,629</u>	
93,405	56,229	(37,176)	(441,501)	(497,812)	(56,311)
93,405	56,229	(37,176)	(441,501)	(497,812)	(56,311)
134,578	134,578		984,148	984,148	
13,994	13,994				
<u>\$241,977</u>	<u>\$204,801</u>	<u>(\$37,176)</u>	<u>\$542,647</u>	<u>\$486,336</u>	<u>(\$56,311)</u>

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2002
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$176,598	\$176,598	
Tuition and Fees			
Intergovernmental	6,432,160	3,205,760	(\$3,226,400)
Interest	281,412	278,036	(3,376)
Rent			
Extracurricular Activities			
Customer Services			
Miscellaneous			
Total Revenues	<u>6,890,170</u>	<u>3,660,394</u>	<u>(3,229,776)</u>
Expenditures:			
Current:			
Instruction:			
Regular	143,242	143,242	
Special			
Vocational			
Other			
Support Services:			
Pupils			
Instruction			
Board of Education			
Administration			
Fiscal	2,778	2,778	
Operation and Maintenance	(12,739)	(12,739)	
Transportation			
Central Services			
Extracurricular Activities			
Capital Outlay	1,798,574	1,796,474	2,100
Debt Service:			
Principal	5,671,626	5,671,626	
Interest			
Total Expenditures	<u>7,603,481</u>	<u>7,601,381</u>	<u>(3,227,676)</u>
Excess of Revenues Over (Under) Expenditures	<u>(713,311)</u>	<u>(3,940,987)</u>	<u>(3,227,676)</u>
Other Financing Sources and (Uses):			
Operating Transfers In	337,665	337,665	
Advances In			
Proceeds from Sale of Fixed Assets			
Refund of Prior Year Expenditures			
Other Financing Sources			
Operating Transfers Out			
Advances Out			
Total Other Financing Sources and (Uses)	<u>337,665</u>	<u>337,665</u>	<u>(3,227,676)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses Before Extraordinary Loss	<u>(375,646)</u>	<u>(3,603,322)</u>	<u>(3,227,676)</u>
Extraordinary Loss on Investments	<u>(336,178)</u>	<u>(336,178)</u>	<u>(3,227,676)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses After Extraordinary Loss	<u>(711,824)</u>	<u>(3,939,500)</u>	<u>(3,227,676)</u>
Fund Balances at Beginning of Year	12,169,117	12,169,117	
Prior Year Encumbrances Appropriated	50,570	50,570	
Fund Balances at End of Year	<u>\$11,507,863</u>	<u>\$8,280,187</u>	<u>(\$3,227,676)</u>

The notes to the general-purpose financial statements are an integral part of this statement.

Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$2,738,558	\$2,695,236	(\$43,322)
142,922	141,959	(963)
12,117,601	8,871,152	(3,246,449)
422,162	380,205	(41,957)
800	780	(20)
237,198	205,143	(32,055)
5,501	5,138	(363)
170,801	167,930	(2,871)
<u>15,835,543</u>	<u>12,467,543</u>	<u>(3,368,000)</u>
3,827,107	3,828,404	(1,297)
779,703	779,703	
115,754	115,754	
17,465	17,465	
294,262	294,262	
299,744	299,744	
78,529	78,529	
726,034	726,526	(492)
201,866	201,524	342
502,454	498,467	3,987
407,747	408,925	(1,178)
1,564	1,564	
372,081	364,880	7,201
1,798,574	1,796,474	2,100
6,480,855	6,479,368	
409,379	409,379	
<u>16,313,118</u>	<u>16,300,968</u>	<u>12,150</u>
<u>(477,575)</u>	<u>(3,833,425)</u>	<u>(3,355,850)</u>
337,665	337,665	
10,373	10,373	
1,500		(1,500)
6,000	5,982	(18)
256	256	
(337,665)	(337,665)	
(10,373)	(10,373)	
<u>7,756</u>	<u>6,238</u>	<u>(1,518)</u>
(469,819)	(3,827,187)	(3,357,368)
<u>(667,254)</u>	<u>(667,254)</u>	
(1,137,073)	(4,494,441)	(3,357,368)
13,694,154	13,694,154	
200,211	200,211	
<u>\$12,757,292</u>	<u>\$9,399,924</u>	<u>(\$3,357,368)</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenses and Changes in Fund Equity
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002**

	Enterprise
Operating Revenues:	
Sales	\$306,376
Operating Expenses:	
Salaries	152,570
Fringe Benefits	23,800
Purchased Services	6,628
Materials and Supplies	266,801
Depreciation	15,127
Total Operating Expenses	464,926
Operating Loss	(158,550)
Non-Operating Revenues/(Expenses):	
Federal and State Subsidies	128,043
Interest	169
Interest Expense	(704)
Federal Donated Commodities	23,361
Total Non-Operating Revenues/(Expenses)	150,869
Net Loss	(7,681)
Retained Earnings (Deficit) at Beginning of Year	(5,175)
Retained Earnings (Deficit) at End of Year	(12,856)
Contributed Capital at Beginning and End of Year	57,641
Total Fund Equity at End of Year	\$44,785

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Budgetary Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002**

	Enterprise		Variance Favorable (Unfavorable)
	Revised Budget	Actual	
Revenues:			
Sales	\$321,350	\$306,376	(\$14,974)
Federal and State Subsidies	127,600	118,759	(8,841)
Interest	250	169	(81)
Total Revenues	449,200	425,304	(23,896)
Expenses:			
Salaries	152,187	152,187	
Fringe Benefits	23,737	23,737	
Purchased Services	7,599	7,599	
Materials and Supplies	248,898	248,898	
Total Expenses	432,421	432,421	
Excess of Revenues Over (Under) Expenses	16,779	(7,117)	(23,896)
Fund Balance Beginning of Year	44,728	44,728	
Prior Year Encumbrances Appropriated	1,018	1,018	
Fund Balance End of Year	\$62,525	\$38,629	(\$23,896)

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2002**

	Enterprise
Decrease in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$306,376
Cash Payments to Suppliers for Goods and Services	(254,391)
Cash Payments to Employees for Services	(152,187)
Cash Payments for Employee Benefits	(23,737)
Net Cash Used for Operating Activities	(123,939)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	118,759
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition of capital Assets	(775)
Interest Expense	(704)
Net Cash Used for Capital and Related Financing Activities	(1,479)
<u>Cash Flows From Investing Activities:</u>	
Interest	168
Net Decrease in Cash and Cash Equivalents	(6,491)
Cash and Cash Equivalents at Beginning of Year	45,746
Cash and Cash Equivalents at End of Year	\$39,255

**Reconciliation of Operating Loss to Net
Cash Used for Operating Activities:**

Operating Loss	(\$158,550)
Adjustments to Reconcile Operating Loss to <u>Net Cash Used for Operating Activities:</u>	
Depreciation	15,127
Donated Commodities Used During Year	23,361
Changes in Assets and Liabilities:	
Increase in Commodities Inventory	5,358
Decrease in Accounts Payable	(1,822)
Decrease in Deferred Revenue	(1,586)
Decrease in Intergovernmental Payable	604
Decrease in Compensated Absences Payable	(540)
Decrease in Capital Lease Payable	(6,274)
Increase in Accrued Wages	383
Total Adjustments	34,611
Net Cash Used for Operating Activities	(\$123,939)

The Food Service Fund consumed donated commodities with a value of \$23,361.
The use of these commodities is reflected as an operating expense.

The notes to the general-purpose financial statements are an integral part of this statement.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002**

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 is the 444th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 53 non-certificated employees, 78 certificated full-time teaching personnel who provide services to 1,202 students and other community members.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For 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 School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. The School District does not have any component units.

The School District is associated with four organizations which are defined as a jointly governed organization and group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Vocational School, the Paulding County School Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 18 and 19 to the general-purpose financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Wayne Trace Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

A. Basis of Presentation - Fund Accounting

The School District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to

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aid financial management by segregating transactions related to certain School District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available expendable resources.

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

1. Governmental Fund Types

Governmental funds are those through which most governmental functions of the School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

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

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term obligation principal, interest, and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

2. Proprietary Fund Types

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. The following are the School District's proprietary fund types:

Enterprise Funds - Enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues

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earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Fiduciary Fund Type

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 agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

4. Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for all fixed assets of the School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Enterprise funds are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Enterprise funds' operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental fund types and agency funds. The full accrual basis of accounting is followed by the enterprise fund.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the

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current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year end.

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

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, income taxes, grants, interest, tuition, and student fees.

Deferred revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2002, but which were levied to finance fiscal year 2003 operations, are recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue. On the modified accrual basis, revenues that are not collected within the available period are recorded as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported on the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

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

C. 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.

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All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The Title VI-B, special revenue funds are flow through grants in which the Western Buckeye Educational Service Center is the primary recipient. Budgetary information on these funds is not included with the District's reporting entity for which the appropriation budget is adopted.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

1. Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing (or increased) tax rates.

By no later than January 20, the Board-adopted budget is filed with the Paulding County Budget Commission for rate determination.

2. Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2002.

3. Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, and object level of expenditure, which is the legal level of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted; however, none of these amendments were significant. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all funds other than agency funds, consistent with statutory provisions.

4. Encumbrances

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

5. 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 appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

D. Estimates

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled in a central bank account. Monies for all funds, including proprietary funds, are maintained in this account or temporarily used to purchase short term investments. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the balance sheet. Cash and cash equivalents held for the School District by the Western Buckeye Educational Service Center is included on the balance sheet as part of "Cash with Fiscal Agents." During fiscal year 2002, investments were limited to money market mutual funds, commercial paper, government securities, and the State Treasury Asset Reserve of Ohio (STAR Ohio). Investment earnings are allocated as authorized by State statute.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as negotiable certificates of deposit are reported at cost.

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(Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General, Special Revenue, Debt Service, Capital Projects, and Enterprise funds during fiscal year 2002 amounted to \$44,866, \$313, \$58,572, \$278,036, and \$169, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of one year or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Inventory

Inventories of proprietary funds are stated at the lower of cost or market. Cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2002, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the fund. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of five to twenty years.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

I. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The School District currently participates in several State and Federal programs, categorized as follows:

Entitlements

General Fund

State Foundation Program
State Property Tax Relief
School Bus Purchase Reimbursement

Non-Reimbursable Grants

Special Revenue Funds

Professional Development Block
SchoolNet Professional Development
Education Management Information Systems
Disadvantaged Pupil Impact Aid
Title I
Title IV
Title VI
Title VI-B
Title VI-R
Tech Literacy Challenge
Ohio Reads
Summer Intervention
Raising the Bar
Eisenhower Professional Development
Extended Learning Opportunities
High Schools That Work
Reducing Class Size

Capital Projects Funds

School Net
Technology Equity
Ohio School Facilities Grant - State Share

Reimbursable Grants

General Fund

Driver Education

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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Proprietary Funds

National School Lunch Program
National School Breakfast Program
Government Donated Commodities

Grants and entitlements amounted to approximately 72% of the School District's operating revenues during fiscal year 2002 for all governmental funds.

J. Interfund Assets/Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables" and "interfund payables". Long-term interfund loans are classified as "advances to/from other funds" and are equally offset by a fund balance reserve account which indicates that they do not constitute available expendable resources since they are not a component of net current assets. As of June 30, 2002, the balance of interfund assets/liabilities was \$51,507.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The remainder is reported in the general long-term obligations account group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the general long-term obligations account group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the general long-term obligations account group until due.

Long-term debt and other obligations financed by proprietary funds are reported as liabilities in the appropriate proprietary funds.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

M. Bond Premiums and Discounts

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

N. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

O. Fund Balance Reserves

The School District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, prepaid items, debt service, and property taxes. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

P. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year end.

Because the School District did not prepare financial statements in accordance with generally accepted accounting principles prior to fiscal year 1996, the exact amount of contributed capital cannot be determined. Consequently, only those amounts that have been specifically identified have been classified as contributed capital in the accompanying combined financial statements. All other fund equity amounts pertaining to proprietary funds have been classified as retained earnings.

Q. Total Columns on General-Purpose Financial Statements

Total columns on the general-purpose financial statements are captioned "Total - (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

3. BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balances/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual-All Governmental Fund Types and the Combined Statement of Revenues, Expenses and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual - (All) Proprietary Fund Type(s) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).
4. For proprietary funds, the acquisition and construction of capital assets are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
5. Proceeds from and principal payments on bond and revenue anticipation notes are reported on the operating statement (budget basis) rather than as balance sheet transactions (GAAP basis).
6. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
7. Although not part of the appropriated budget, Title VI-B and the special revenue funds are included as part of the reporting entity when preparing financial statements that conform with GAAP.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

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Excess of Revenues and Other Financing Sources Over
(Under) Expenditures and Other Financing Uses
All Governmental Fund Types

	General	Special Revenue	Debt Service	Capital Projects
GAAP basis	\$12,714	\$100,553	(\$477,834)	(\$3,606,505)
Adjustments:				
Revenue accruals	(25,914)	(153,162)	(19,978)	244,631
Expenditure accruals	(45,405)	162,562		(115,152)
Encumbrances	(54,753)	(53,724)		(462,474)
Budget basis	<u>(\$113,358)</u>	<u>\$56,229</u>	<u>(\$497,812)</u>	<u>(\$3,939,500)</u>

Net Loss
Proprietary Fund Type

	Enterprise
GAAP basis - net loss	(\$7,681)
Adjustments:	
Revenue accruals	(32,476)
Expense accruals	33,667
Encumbrances	(627)
Budget basis - excess of revenues over expenditures	<u>(7,117)</u>

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 five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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Interim monies may be invested in the following obligations. In general, investments must mature or be redeemable within two years from the date of purchase:

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);
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; and
8. Under limited 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.

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

At fiscal year end, the School District had \$600 in undeposited cash on hand which is included on the balance sheet of the School District as part of "equity in pooled cash and cash equivalents".

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At fiscal year end, the School District had \$16,472 in Cash with Fiscal Agent held by Western Buckeye Educational Service Center which is included on the balance sheet as "Cash with Fiscal Agent".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements".

Deposits - At fiscal year end, the carrying amount of the School District's deposits was \$8,157,003 and the bank balance was \$8,451,516. Of the bank balance, \$302,640 was covered by federal depository insurance and \$8,148,876 was uninsured and uncollateralized. All State statutory requirements for the deposit of money had been followed; noncompliance with federal requirements would potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments - Investments are required to be categorized into the following:

Category 1 includes investments that are insured or registered or for which the securities are held by the Wayne Trace Local School District.

Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Wayne Trace Local School District's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the Wayne Trace Local School District's name.

The investments in the Money Market Mutual Fund and STAR Ohio are unclassified since they are not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Value	Fair Value
Money Market Mutual Fund		\$314,740	\$314,740
GE Capital Corporation	\$373,515	373,515	373,515
Federal Home Loan Bank	1,007,187	1,007,187	1,007,187
STAR Ohio		205,320	205,320
Total		\$1,900,762	\$1,900,762

The classification of cash and cash equivalents and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$10,074,837	
Less:		
Cash with Fiscal Agent	(16,472)	
Cash on Hand	(600)	
Federal Agency Securities	(1,007,187)	\$1,007,187
STAR Ohio	(205,320)	205,320
Other Securities	(688,255)	688,255
GASB Statement 3	\$8,157,003	\$1,900,762

5. PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the School District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Paulding, Putnam and Van Wert Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the Counties by June 30, 2002, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not intended to finance current year operations. The amount available as an advance at June 30 was \$141,778 and is recognized as revenue; \$108,262 was available in the General fund, \$31,031 in the Debt Service fund and \$2,485 in the Capital Projects fund.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

The assessed values upon which fiscal year 2002 taxes were collected are:

	2000 Second-Half Collections		2001 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$63,537,690	80.19%	\$64,697,680	80.17%
Public Utility	9,846,420	12.43%	10,600,190	13.13%
Tangible Personal Property	5,847,680	7.38%	5,394,759	6.70%
Total Assessed Value	<u>\$79,231,790</u>	<u>100.00%</u>	<u>\$80,692,629</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	<u>\$33.70</u>		<u>\$33.70</u>	

6. INCOME TAX

The School District levies a voted tax of .75% for general operations on the income of residents and of estates. The tax was approved by the voters on March 19, 1996, and is effective January 1, 1997, for a period of five years. 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 revenue is credited seventy percent to the General Fund, and thirty percent to the permanent improvements fund.

7. RECEIVABLES

Receivables at June 30, 2002, consisted of both property and income taxes, interfund, and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of federal funds.

8. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$270,363
Less: Accumulated Depreciation	<u>192,534</u>
Net Fixed Assets	<u>\$77,829</u>

A summary of the general fixed assets follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

	Balance at 6/30/01	Additions	Deletions	Balance at 6/30/02
Land and Improvements	\$471,809			\$471,809
Buildings and Improvements	4,194,873			4,194,873
Furniture, Fixtures, and Equipment	2,481,826	\$201,532	\$4,103	2,679,255
Vehicles	1,121,757	55,275	29,832	1,147,200
Construction In Progress	334,772	1,324,072		1,658,844
Total	\$8,605,037	\$1,580,879	\$33,935	\$10,151,981

9. RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. For fiscal year 2002, the School District contracted with Nationwide Insurance for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by Nationwide Insurance are as follows:

Building and Contents-replacement cost	\$22,489,000
Inland Marine Coverage:	
Musical Instruments	104,085
Photo Equipment	24,000
EDP	277,240
Boiler and Machinery	10,739,800
Crime Insurance	2,000

Coverages provided by Harlem – Hyre Insurance are as follows:

Automobile Liability	1,000,000
Uninsured Motorists	1,000,000
Umbrella Liability	2,000,000
General Liability	
Per occurrence	1,000,000
Total per year	3,000,000

B. Workers' Compensation

For fiscal year 2002, the School District participated in the OSBA Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 19). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the performance is compared to the overall savings of the GRP. A participant will then either

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

receive money form or be required to contribute to the "Equity Pooling Fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Anthem Comp. Services provided administrative, cost control and actuarial services to the GRP.

10. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Wayne Trace Local School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3634 or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the Wayne Trace Local School District is required to contribute 14 percent; 5.46 percent was the portion to fund pension obligations for fiscal year 2002; 4.2 percent for fiscal year 2001 and 5.5 percent for fiscal year 2000. The contribution rates are not determined actuarially, but are established by SERS's Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$61,215, \$45,013, and \$56,715, respectively. 40 percent has been contributed for fiscal year 2002 and 100 percent for the fiscal years 2001 and 2000. \$94,952, representing the unpaid contribution for fiscal year 2001 is recorded as a limited liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The Wayne Trace Local School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (614) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the Wayne Trace Local School District is required to contribute 14 percent; 9.5 percent was the portion to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2002, 2001, and 2000, were \$324,645, \$322,817, and \$193,704, respectively. 86 percent has been contributed for fiscal

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

year 2002 and 100 percent for fiscal years 2001 and 2000. \$65,714 representing the unpaid contribution for fiscal year 2002 is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System have an option to choose Social Security or the School Employees Retirement System/State Teachers Retirement System. As of June 30, 2002, two members of the Board of Education have elected social security. The Board's liability is 6.2 percent of wages paid.

11. POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$148,072.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001, net health care costs paid by STRS were \$300,772,000, and STRS had 102,132 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit, must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For the fiscal year ended June 30, 2002, employer contributions to fund health care benefits were 5.46 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2002, the minimum pay was established at \$12,400.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2002 were \$182,946,777, and the target level was \$274.4 million. At June 30, 2002, SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

For the School District, the amount to fund postemployment benefits including the surcharge equaled \$109,787 during the 2002 fiscal year.

12. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Full time (12 month) classified employees are entitled to two weeks (10 days) vacation after one full year of service, three weeks (15 days) vacations after ten years of service, and one day for each year of service to a maximum of twenty (20) days for fifteen complete years and thereafter. Accumulated, unused vacation time is paid to, or used by, classified employees upon termination of or separation from employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one fourth days per month which is 15 days annually. Vested sick leave is accumulated and, if unused, is paid upon retirement at 25% of the value of his/her accrued but unused sick leave credit to a maximum of 50 days.

B. Insurance

The School District provides life insurance to most employees through Medical Life Insurance Company. The School District has elected to provide employee medical/surgical benefits through Medical Mutual of Ohio. The majority of employees share the cost of the monthly premium with the Board. The premium varies with employee depending on the terms of the union contract. Dental insurance is provided by the School District to most employees through Medical Mutual of Ohio.

13. OPERATING LEASES

The School District is obligated under various operating lease agreements for copiers and voice mail equipment. These agreements do not give rise to property rights and are not reflected in the School's account group. Total costs for such leases were \$14,967 during fiscal year 2002. Future minimum lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amounts</u>
2003	\$32,165
2004	31,154
2005	29,132
2006	21,852
2007	15,492
Total	<u><u>\$129,795</u></u>

14. CAPITAL LEASE

The School District has entered into lease agreements as lessee for financing the acquisition of musical instruments and a computer system for tracking student lunch sales. These leases qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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(Continued)**

of future minimum lease payments as of the inception date in the General Fixed Asset Account Group and the Food Service Enterprise Fund.

The assets acquired through capital leases are as follows:

<u>Assets</u>	<u>General Fixed Assets</u>	<u>Food Service Enterprise Fund</u>
Machinery and Equipment	\$38,701	\$25,055
Less: Accumulated Depreciation		(25,055)
Total	<u>\$38,701</u>	<u></u>

Capital Lease Payable Liabilities have been recorded in the General Long-Term Obligations Account Group and the Food Service Enterprise Fund in the amount of \$15,480 and \$775, respectively. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2002, were as follows:

<u>Year Ending June 30,</u>	<u>GLTDAG</u>	<u>Enterprise</u>
2003	\$7,740	\$775
2004	7,741	
Total minimum lease payments	15,481	775
Amount representing interest		(10)
Present value of minimum lease payments	<u>\$15,481</u>	<u>\$765</u>

15. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2002 were as follows:

	<u>Principal Outstanding 6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	<u>Principal Outstanding 6/30/02</u>
School Improvement Current Interest (Serial) Bonds -1992 3.70% - 4.25%	\$615,000		\$385,000	\$230,000
School Improvement Capital Appreciation Bonds - 1992 14.95% - 15.25%	295,978	\$46,872		342,850
Judgments Loan Payable	5,171,676		164,229	5,007,447
Compensated Absences	265,553		29,066	236,487
Intergovernmental Payables	51,834	3,079		54,913
Ohio Classroom Facilities School Improvement Notes - 1991	5,671,626		5,671,626	

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

	Principal Outstanding 6/30/01	Additions	Deductions	Principal Outstanding 6/30/02
Ohio Classroom Facilities School Improvement Current Interest (Serial) Bonds – 2001 3.25% - 4.45%	2,205,000		260,000	1,945,000
Ohio Classroom Facilities School Improvement Current Interest (Term) Bonds – 2001 5.00% - 5.20%	3,250,000			3,250,000
Ohio Classroom Facilities School Improvement Capital Appreciation Bonds – 2001 13.0173205% - 13.0173560%	227,072	22,429		249,501
Capital Lease Payable	23,221		7,740	15,481
Total General Long-Term Obligations	<u>\$17,776,960</u>	<u>\$72,380</u>	<u>\$6,517,661</u>	<u>\$11,331,679</u>

School Improvement Bonds - 1998

Proceeds from the outstanding school improvement bonds were used for building construction and improvements. The bonds were issued on June 1, 1991, and refinanced with School Improvement Refunding Bonds on April 15, 1998 with an average interest rate of 4.75%. The bonds consisted of \$1,640,000 of Current Interest Bonds with interest rates from 3.70% to 4.25% and \$204,950 of Capital Appreciation Bonds with interest rates of 14.95% to 15.25%. The District will make biannual payments through fiscal year 2010.

The Current Interest Bonds maturing on December 1, 2008 and thereafter are subject to optional redemption, in whole or in part on any date in inverse order of maturity, by lot within the maturity, at the option of the School District on or after December 1, 2007 as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2007 through November 30, 2008	102%
December 1, 2008 through November 30, 2009	101%
December 1, 2009 and thereafter	100%

The Capital Appreciation Bonds will mature in fiscal years 2004 through 2009. The maturity amount of the bonds is \$125,000 from 2004 through 2008 and \$120,000 for 2009. Capital Appreciation Bonds are not subject to redemption prior to maturity.

School Improvement Bonds - 2001

The District issued \$5,671,625 in voted general obligation bonds for constructing, improving, and making additions to school buildings and related site development. The bonds were issued on May 1, 2001. The bond issue included serial, term, and capital appreciation bonds in the amount of \$2,205,000, \$3,250,000 and \$227,072, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

The Current Interest Bonds maturing on December 1, 2018 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on

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**Notes to the General-Purpose Financial Statements
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each December 1 thereafter at 100% of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

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

Unless otherwise called for redemption, the remaining \$280,000 principal amount of the bonds due December 31, 2018 is to be paid at stated maturity.

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

<u>Year</u>	<u>Principal Amount to Be Redeemed</u>
2019	\$295,000
2020	305,000
2021	325,000
2022	340,000

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

The Current Interest Bonds maturing on December 31, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024, and on each December 1 thereafter at 100% of the principal amount therefore plus accrued interest to the date of redemption according to the following schedule:

<u>Year</u>	<u>Principal Amount to Be Redeemed</u>
2024	\$105,000
2025	110,000
2026	115,000
2027	125,000

Unless otherwise called for redemption, the remaining \$130,000 principal amount of the bonds due December 31, 2028 is to be paid at stated maturity.

The Capital Appreciation Bonds are subject to redemption prior to scheduled maturity.

The Current Interest Bonds maturing on December 1, 2012 and thereafter are subject to optional redemption, in whole or in part on any date in inverse order of maturity, by lot within the maturity, at the option of the School District on or after December 1, 2011 as follows:

<u>Redemption Dates</u>	<u>Redemption Price</u>
December 1, 2011 through November 30, 2012	101%
December 1, 2012 and thereafter	100%

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**Notes to the General-Purpose Financial Statements
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(Continued)**

The Capital Appreciation Bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$245,000. Capital Appreciation Bonds are not subject to redemption prior to maturity.

In prior years, current interest bonds and capital appreciation bonds were combined in footnote disclosures and the balance sheet. The accretion for capital appreciation bonds was recalculated and the beginning balance was restated by \$101,474.

Payment requirements to retire general obligation debt at June 30, 2002 are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds for Year 1998	School Improvement Bonds for Year 2001	Total General Obligation Bonds
2003	\$122,303	\$402,416	\$524,719
2004	117,444	406,678	524,122
2005	125,000	400,596	525,596
2006	125,000	399,160	524,160
2007	125,000	402,171	527,171
2008 - Thereafter	370,000	7,467,744	7,837,744
Total future payments	984,747	9,478,765	10,463,512
Total Bond Accreted	137,900	32,876	170,776
Less: Interest	549,797	4,067,140	4,616,937
Total	<u>\$572,850</u>	<u>\$5,444,501</u>	<u>\$6,017,351</u>

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, 2002, are as follows:

Fiscal Year Ending June 30,	Payments
2003	\$171,648
2004	176,798
2005	182,102
2006	187,565
2007	193,192
2008 - Thereafter	4,096,142
Total	<u>\$5,007,447</u>

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

Compensated absences and the intergovernmental payables will be paid from the fund from which the employees' salaries are paid.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
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**Notes to the General-Purpose Financial Statements
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16. STATUTORY RESERVES

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

	Textbooks	Capital Acquisition	Totals
Set-aside Cash Balance as of June 30, 2001	(\$83,205)		(\$83,205)
Current Year Set-aside Requirement	125,194	\$125,194	250,388
Current Year Offsets		(260,796)	(260,796)
Qualifying Disbursements	(225,439)	(1,385,623)	(1,611,062)
Total	<u>(\$183,450)</u>	<u>(\$1,521,225)</u>	<u>(\$1,704,675)</u>
Cash Balance Carried Forward to FY 2003	<u>(\$183,450)</u>		<u>(\$183,450)</u>

The District has offsets and qualifying disbursements during the year that reduced the set-aside amounts to below zero. The negative amounts may only be used to offset future year textbook set-aside requirements.

17. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The School District maintains two enterprise funds to account for the operations of food service and uniform school supplies. The table below reflects the more significant financial data relating to the enterprise funds of the Wayne Trace Local School District as of and for the fiscal year ended June 30, 2002.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$283,495	\$22,881	\$306,376
Operating Expenses before Depreciation	423,447	26,352	449,799
Depreciation	15,127		15,127
Operating Loss	(155,079)	(3,471)	(158,550)
Donated Commodities	23,361		23,361
Operating Grants	128,043		128,043
Interest Income	169		169
Interest Expense	(704)		(704)
Net Income (Loss)	(4,210)	(3,471)	(7,681)
Net Working Capital	(19,321)	(5,231)	(24,552)
Total Assets	127,140	5,769	132,909
Total Liabilities	77,124	11,000	88,124
Total Equity	50,016	(5,231)	44,785
Encumbrances Outstanding at June 30, 2002	66	561	627

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18. JOINTLY GOVERNED ORGANIZATION

Northwest Ohio Area Computer Services Cooperative (NOACSC)

The District is a participant in the Northwest Ohio Area Computer Services Cooperative (NOACSC) which is a computer consortium. NOACSC is an association of educational entities within the boundaries of Allen, Auglaize, Hancock, Hardin, Mercer, Paulding, Putnam, Van Wert, and Wood Counties, and the Cities of St. Marys and Wapakoneta. The 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 educational entities.

The governing board of NOACSC consists of two representatives from each county elected by majority vote of all charter member school districts within each county. The degree of control exercised by any participating educational entity is limited to its representation on the Board. Financial information can be obtained from Michael Wildermuth, who serves as director, 645 South Main Street; Lima, Ohio 45804.

Vantage Career Center

The Vantage Career Center is a district political subdivision of the State of Ohio operated under the direction of a Board consisting of one representative from each participating school districts' elected boards, which possesses its own budgeting and taxing authority. To obtain financial information write to the Vantage Joint Vocational School, Julie Mohr, Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

19. GROUP PURCHASING POOL

Paulding County School Insurance Consortium

The Paulding County School Insurance Consortium is a Consortium of 3 local school districts: Antwerp Local, Paulding Exempted Village, and Wayne Trace Local. The insurance group is overseen by consultant Jake Cox with Celaris Group. Financial information can be obtained from Jake Cox, Celaris Group, 523 2nd St. Defiance, OH 43512.

OSBA Workers' Compensation Group Rating Plan

The School District participates in a group rating plan for workers' compensation as established under § 4123.29 of the Ohio Revised Code. The OSBA Workers' Compensation Group Rating Program (WCGRP) was established through the Ohio School Boards Association (OSBA) as insurance pool.

The Board of Directors of the Ohio School Board Association Workers' Compensation Plan has designated the Executive Director or his designee shall serve as the coordinator of the program. Each year, the participating members pay an enrollment fee to the WCGRP to cover the costs of administering the program.

20. CONTINGENCIES

A. 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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2002.

B. State School Funding Decision

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

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

21. EXTRAORDINARY LOSS ON INVESTMENTS

The School District maintained \$1,023,922 in deposits at a local bank. In February 2002, it was discovered the bank was allegedly defrauded of most of its assets. The School District was only insured for \$100,000 (FDIC) and received an additional \$253,952 from the resale of bonds to State Bank that were originally held by the defrauded bank. In June 2002, the School District received \$669,970 from the State Board of Education's Catastrophic Grant Fund. The School District has also received \$129,886 from the liquidation of the bank which in turn was remitted back to the State Department Education. The School District is still awaiting any future liquidation of the bank's assets.

22. OHIO SCHOOL FACILITIES COMMISSION

In fiscal year 2001, the School District was approved for a grant from the Ohio School Facilities Commission for a \$19,306,617 building construction and renovation project. The project will be financed by a \$15,638,617 grant from the Ohio School Facilities Commission and through issuance of bonds in the amount of \$3,668,000. The bond issue will be repaid from the proceeds of a 3.38 mill tax levy approved by the voters of the District on November 7, 2000. As of June 30, 2002 the District has recognized a receivable of \$11,818,751 for the amounts still due for the State portion of the project.

23. CONTRACTUAL COMMITMENTS

As of June 30, 2002, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Bruns Building & Development	\$1,699,781
Frost & Co., Inc.	943,925
Fanning/Howey Associates, Inc.	872,004
Bowen Washington Regency	625,861
Brint Electric, Inc.	581,837
Shambaugh & Son LLP	133,361
	<u>\$4,856,769</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2002
(Continued)**

24. ACCOUNTING AND COMPLIANCE

Fund balances / retained earnings at June 30, 2002 included the following individual fund deficits:

<u>Fund Type and Fund</u>	<u>Deficit Balance</u>
Special Revenue:	
Management Information Systems	\$9
Summer Intervention	26
Reducing Classroom Size	50
Enterprise:	
Uniform School Supply	5,231

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2002.

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Federal Awards Expenditures
For the Year Ended June 30, 2002**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed Through Ohio Department of Education:</i>		
<u>Nutrition Cluster:</u>		
Food Distribution Program	-	10.550
School Breakfast Program	05-PU-01	10.553
National School Lunch Program	LL-P1-01	10.555
Total U.S. Department of Agriculture - Nutrition Cluster		
U.S. DEPARTMENT OF EDUCATION		
<i>Passed Through Ohio Department of Education:</i>		
Title I Grants to Local Educational Agencies	C1-S1-01 C1-S1-02	84.010 84.010
Total Title I Grants		
Safe and Drug Free Schools and Communities State Grant	DR-S1-01 DR-S1-02	84.186 84.186
Total Safe and Drug Free Schools and Communities State Grant		
Eisenhower Professional Development State Grants	MS-S1-01 MS-S1-02	84.281 84.281
Total Eisenhower Professional Development State Grants		
Innovative Educational Program Strategies	C2-S1-01 C2-S1-02	84.298 84.298
Total Innovative Education Program		
Technology Literacy Challenge Fund Grant	TF-VM-00	84.318
Class Size Reduction	CR-S1-00	84.340
Total U.S. Department of Education		

Totals

The accompanying notes are an integral part of this schedule.

<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
	\$21,167		\$22,752
\$17,994		\$17,994	
94,706		94,706	
<u>112,700</u>	<u>21,167</u>	<u>112,700</u>	<u>22,752</u>
6,906		41,325	
166,756		127,786	
<u>173,662</u>		<u>169,111</u>	
1,164		1,588	
4,544		4,254	
<u>5,708</u>		<u>5,842</u>	
		3,010	
6,234		1,848	
<u>6,234</u>		<u>4,858</u>	
		371	
6,381		5,988	
<u>6,381</u>		<u>6,359</u>	
200,000		179,469	
<u>37,476</u>		<u>11,859</u>	
429,461		377,498	
<u>\$542,161</u>	<u>\$21,167</u>	<u>\$490,198</u>	<u>\$22,752</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Expenditures
For the Fiscal Year Ended June 30, 2002**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the District's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B--FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

We have audited the financial statements of Wayne Trace Local School District (the School District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 16, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted a certain immaterial instance of noncompliance that we have reported to management of the School District in a separate letter dated January 16, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School District in a separate letter dated January 16, 2003.

Wayne Trace Local School District
Paulding County
Report of Independent Accountants on Compliance and on Internal Control
Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of the finance committee, management, the Board of Education, federal award agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 16, 2003



**Auditor of State
Betty Montgomery**

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Wayne Trace Local School District
Paulding County
501 West Townline Street
Payne, Ohio 45880-9362

To the Board of Education:

Compliance

We have audited the compliance of Wayne Trace Local School District (the School District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2002. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the finance committee, management, the Board of Education, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

January 16, 2003

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

Schedule of Findings
OMB Circular A -133 § .505
June 30, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under §.510?	No
(d)(1)(vii)	Major Programs (list):	Technology Literacy Challenge Grant - CFDA # 84.318
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All Others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

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WAYNE TRACE LOCAL SCHOOL DISTRICT

PAULDING COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 13, 2003**