



**Auditor of State
Betty Montgomery**

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

Table of Contents

Title	Page
Independent Accountants' Report	1
Combined Balance Sheet - All Fund Types and Account Groups.....	4
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Fund Types	8
Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Basis) - All Governmental Fund Types.....	10
Combined Statement of Revenues, Expenses, and Changes in Fund Equity - Proprietary Fund Type.....	14
Combined Statement of Revenues, Expenses, and Changes in Fund Balances - Budget and Actual Comparison (Non-GAAP Basis) - Proprietary Fund Type.....	15
Combined Statement of Cash Flows - Proprietary Fund Type.....	16
Notes to the General-Purpose Financial Statements	17
Schedule of Federal Awards Receipts and Expenditures	43
Notes to the Schedule of Federal Award Receipts and Expenditures.....	44
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	45
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs and Internal Control Over Compliance in Accordance with <i>OMB Circular A-133</i>	47
Schedule of Findings.....	49

This page intentionally left blank.



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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 the Wayne Trace Local School District, Paulding County, Ohio, (the District) as of and for the year ended June 30, 2003, as listed in the table of contents. These general-purpose financial statements are the responsibility of the 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 as of June 30, 2003, and the results of its operations and the cash flows of its enterprise funds 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 December 19, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 receipts and 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

December 19, 2003

This page intentionally left blank.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Cash	\$ 722,499	\$ 316,641	\$ 498,710	\$ 10,995,365
Cash with fiscal agents	-	17,893	-	-
Receivables:				
Intergovernmental	-	8,133	-	2,997,486
Taxes	1,935,793	37,009	525,154	160,022
Material and Supplies Inventory	-	-	-	-
Prepaid Items	34,756	-	-	-
Fixed Assets (Net, where applicable, of Accumulated Depreciation)	-	-	-	-
Amount Available in Debt Service Fund	-	-	-	-
Amount to be Provided for Retirement of General Long-Term Debt	-	-	-	-
Total Assets and Other Debits	<u>\$ 2,693,048</u>	<u>\$ 379,676</u>	<u>\$ 1,023,864</u>	<u>\$ 14,152,873</u>

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$ 63,288	\$ 38,095	\$ -	\$ -	\$ 12,634,598
-	-	-	-	17,893
-	-	-	-	3,005,619
-	-	-	-	2,657,978
6,230	-	-	-	6,230
-	-	-	-	34,756
66,668	-	16,898,347	-	16,965,015
-	-	-	569,206	569,206
-	-	-	10,432,901	10,432,901
<u>\$ 136,186</u>	<u>\$ 38,095</u>	<u>\$ 16,898,347</u>	<u>\$ 11,002,107</u>	<u>\$ 46,324,196</u>

(Continued)

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2003
(Continued)**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
LIABILITIES, FUND EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts Payable	\$ 81,608	\$ 27,490	\$ -	\$ 1,207,081
Accrued Salaries and Benefits	509,006	25,222	-	-
Compensated Absences Payable	6,207	-	-	-
Intergovernmental Payable	37,371	949	-	-
Deferred Revenue	1,460,660	37,009	454,658	3,153,555
Undistributed Monies	-	-	-	-
Due to Students	-	-	-	-
Judgments Payable	-	-	-	-
Capital Lease Payable	-	-	-	-
Bonds Payable	-	-	-	-
Total Liabilities	2,094,852	90,670	454,658	4,360,636
Fund Equity and Other Credits:				
Investment in General Fixed Assets	-	-	-	-
Contributed Capital	-	-	-	-
Retained Earnings	-	-	-	-
Fund Balance:				
Reserved for Encumbrances	36,449	19,351	-	9,818,625
Reserved for Prepaid Items	34,756	-	-	-
Reserved for Debt Service	-	-	488,336	-
Reserved for Property Taxes	315,838	-	70,497	3,953
Unreserved, Undesignated	211,153	269,655	10,373	(30,341)
Total Fund Equity and Other Credits	598,196	289,006	569,206	9,792,237
Total Liabilities, Fund Equity, and Other Credits	\$ 2,693,048	\$ 379,676	\$ 1,023,864	\$ 14,152,873

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

<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Groups</u>		<u>Totals (Memorandum Only)</u>
		<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>	
<u>Enterprise</u>	<u>Agency</u>			
\$ 789	\$ 1,202	\$ -	\$ -	\$ 1,318,170
21,728	-	-	-	555,956
10,927	-	-	293,897	311,031
11,721	-	-	48,380	98,421
-	-	-	-	5,105,882
-	539	-	-	539
-	36,354	-	-	36,354
-	-	-	4,835,799	4,835,799
-	-	-	7,741	7,741
-	-	-	5,816,290	5,816,290
<u>45,165</u>	<u>38,095</u>	<u>-</u>	<u>11,002,107</u>	<u>18,086,183</u>
-	-	16,898,347	-	16,898,347
57,641	-	-	-	57,641
33,380	-	-	-	33,380
-	-	-	-	9,874,425
-	-	-	-	34,756
-	-	-	-	488,336
-	-	-	-	390,288
-	-	-	-	460,840
<u>91,021</u>	<u>-</u>	<u>16,898,347</u>	<u>-</u>	<u>28,238,013</u>
<u>\$ 136,186</u>	<u>\$ 38,095</u>	<u>\$ 16,898,347</u>	<u>\$ 11,002,107</u>	<u>\$ 46,324,196</u>

**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, 2003**

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>
Revenues:		
Taxes	\$ 2,309,787	\$ 38,126
Tuition and Fees	63,212	-
Intergovernmental	4,560,768	634,443
Interest	48,640	287
Extracurricular Activities	-	166,366
Rent	600	-
Customer Services	-	4,367
Miscellaneous	187,758	50,778
Total Revenues	<u>7,170,765</u>	<u>894,367</u>
Expenditures:		
Current:		
Instruction:		
Regular	3,287,349	95,868
Special	658,113	456,775
Vocational	119,264	-
Other	19,061	-
Support Services:		
Pupils	265,682	6,084
Instruction	229,130	58,067
Board of Education	92,877	-
Administration	662,675	35,567
Fiscal	183,343	5,516
Operation and Maintenance	500,526	-
Transportation	431,327	-
Central Services	1,188	803
Extracurricular Activities	154,974	178,440
Capital Outlay	-	-
Debt Service:		
Principal	169,373	-
Interest	-	-
Total Expenditures	<u>6,774,882</u>	<u>837,120</u>
Excess of Revenues Over Expenditures	<u>395,883</u>	<u>57,247</u>
Other Financing Sources (Uses):		
Operating Transfers In	133	2,500
Operating Transfers Out	(53,873)	-
Total Other Financing Sources (Uses)	<u>(53,740)</u>	<u>2,500</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	342,143	59,747
Fund Balances at Beginning of Year	256,053	229,259
Fund Balances at End of Year	<u><u>\$ 598,196</u></u>	<u><u>\$ 289,006</u></u>

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

Governmental Fund Types		Totals (Memorandum Only)
Debt Service	Capital Projects	
\$ 514,448	\$ 107,750	\$ 2,970,111
-	-	63,212
51,820	8,736,346	13,983,377
25,592	285,654	360,173
-	-	166,366
-	-	600
-	-	4,367
-	20	238,556
<u>591,860</u>	<u>9,129,770</u>	<u>17,786,762</u>
-	58,244	3,441,461
-	-	1,114,888
-	-	119,264
-	-	19,061
-	-	271,766
-	14,090	301,287
-	-	92,877
-	17,056	715,298
15,301	3,102	207,262
-	-	500,526
-	-	431,327
-	-	1,991
-	-	333,414
-	7,760,392	7,760,392
280,000	-	449,373
244,719	-	244,719
<u>540,020</u>	<u>7,852,884</u>	<u>16,004,906</u>
<u>51,840</u>	<u>1,276,886</u>	<u>1,781,856</u>
10,373	-	13,006
-	(133)	(54,006)
<u>10,373</u>	<u>(133)</u>	<u>(41,000)</u>
62,213	1,276,753	1,740,856
506,993	8,515,484	9,507,789
<u>\$ 569,206</u>	<u>\$ 9,792,237</u>	<u>\$ 11,248,645</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual Comparison (Non-GAAP Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003**

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 2,087,586	\$ 2,149,286	\$ 61,700
Tuition and Fees	64,494	63,212	(1,282)
Intergovernmental	4,420,151	4,560,768	140,617
Interest	43,000	50,222	7,222
Rent	500	600	100
Extracurricular Activities	-	-	-
Customer Services	-	-	-
Miscellaneous	136,910	187,758	50,848
Total Revenues	6,752,641	7,011,846	259,205
Expenditures:			
Current:			
Instruction:			
Regular	3,365,784	3,337,559	28,225
Special	5,900	658,893	(652,993)
Vocational	130,597	123,033	7,564
Other	20,000	19,451	549
Support Services:			
Pupils	217,785	278,201	(60,416)
Instruction	113,665	229,154	(115,489)
Board of Education	97,365	96,659	706
Administration	1,323,282	677,296	645,986
Fiscal	180,803	186,440	(5,637)
Operation and Maintenance	538,432	517,149	21,283
Transportation	452,368	446,079	6,289
Central Services	1,757	1,205	552
Extracurricular Activities	214,679	157,670	57,009
Capital Outlay	-	-	-
Debt Service:			
Principal	169,372	169,372	-
Interest	-	-	-
Total Expenditures	6,831,789	6,898,161	(66,372)
Excess of Revenues Over (Under) Expenditures	(79,148)	113,685	192,833
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Refund of Prior Year Expenditures	2,000	11,696	9,696
Operating Transfers Out	-	(2,500)	(2,500)
Total Other Financing Sources (Uses)	2,000	9,196	7,196
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(77,148)	122,881	200,029
Fund Balances (Deficit) at Beginning of Year	427,114	427,114	-
Prior Year Encumbrances Appropriated	54,752	54,752	-
Fund Balances (Deficit) at End of Year	\$ 404,718	\$ 604,747	\$ 200,029

Special Revenue Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 37,021	\$ 38,126	\$ 1,105
-	-	-
496,511	488,434	(8,077)
300	287	(13)
-	-	-
195,503	166,366	(29,137)
5,200	4,367	(833)
54,353	50,778	(3,575)
<u>788,888</u>	<u>748,358</u>	<u>(40,530)</u>
166,113	129,234	36,879
382,582	345,107	37,475
-	-	-
-	-	-
3,176	6,199	(3,023)
95,900	54,292	41,608
-	-	-
23,866	20,476	3,390
6,680	4,643	2,037
-	-	-
-	-	-
410	803	(393)
201,247	178,864	22,383
-	-	-
-	-	-
-	-	-
<u>879,974</u>	<u>739,618</u>	<u>140,356</u>
<u>(91,086)</u>	<u>8,740</u>	<u>99,826</u>
2,500	2,500	-
32	32	-
-	-	-
<u>2,532</u>	<u>2,532</u>	<u>-</u>
(88,554)	11,272	99,826
204,801	204,801	-
53,726	53,726	-
<u>\$ 169,973</u>	<u>\$ 269,799</u>	<u>\$ 99,826</u>

Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 494,105	\$ 474,982	\$ (19,123)
-	-	-
57,017	51,820	(5,197)
51,000	25,592	(25,408)
-	-	-
-	-	-
-	-	-
-	-	-
<u>602,122</u>	<u>552,394</u>	<u>(49,728)</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
16,000	15,300	700
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
280,000	280,000	-
249,898	244,719	5,179
<u>545,898</u>	<u>540,019</u>	<u>5,879</u>
<u>56,224</u>	<u>12,375</u>	<u>(43,849)</u>
-	-	-
-	-	-
-	-	-
<u>56,224</u>	<u>12,375</u>	<u>(43,849)</u>
486,335	486,335	-
-	-	-
<u>\$ 542,559</u>	<u>\$ 498,710</u>	<u>\$ (43,849)</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 Basis)
All Governmental Fund Types
For the Fiscal Year Ended June 30, 2003
(Continued)**

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Taxes	\$ 176,000	\$ 194,726	\$ 18,726
Tuition and Fees	-	-	-
Intergovernmental	16,070,500	8,736,346	(7,334,154)
Interest	431,900	286,332	(145,568)
Rent	-	-	-
Extracurricular Activities	-	-	-
Customer Services	-	-	-
Miscellaneous	20	20	-
Total Revenues	16,678,420	9,217,424	(7,460,996)
Expenditures:			
Current:			
Instruction:			
Regular	123,620	60,644	62,976
Special	-	-	-
Vocational	-	-	-
Other	-	-	-
Support Services:			
Pupils	-	-	-
Instruction	14,091	14,090	1
Board of Education	-	-	-
Administration	-	19,659	(19,659)
Fiscal	3,000	3,102	(102)
Operation and Maintenance	150,000	2,250	147,750
Transportation	-	-	-
Central Services	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	15,997,000	17,971,490	(1,974,490)
Debt Service:			
Principal	-	-	-
Interest	-	-	-
Total Expenditures	16,287,711	18,071,235	(1,783,524)
Excess of Revenues Over (Under) Expenditures	390,709	(8,853,811)	(9,244,520)
Other Financing Sources (Uses):			
Operating Transfers In	-	-	-
Refund of Prior Year Expenditures	36,410	79,322	42,912
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	36,410	79,322	42,912
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	427,119	(8,774,489)	(9,201,608)
Fund Balances (Deficit) at Beginning of Year	8,281,673	8,281,673	-
Prior Year Encumbrances Appropriated	462,475	462,475	-
Fund Balances (Deficit) at End of Year	\$ 9,171,267	\$ (30,341)	\$ (9,201,608)

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

Totals (Memorandum Only)

Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 2,794,712	\$ 2,857,120	\$ 62,408
64,494	63,212	(1,282)
21,044,179	13,837,368	(7,206,811)
526,200	362,433	(163,767)
500	600	100
195,503	166,366	(29,137)
5,200	4,367	(833)
191,283	238,556	47,273
<u>24,822,071</u>	<u>17,530,022</u>	<u>(7,292,049)</u>
3,655,517	3,527,437	128,080
388,482	1,004,000	(615,518)
130,597	123,033	7,564
20,000	19,451	549
220,961	284,400	(63,439)
223,656	297,536	(73,880)
97,365	96,659	706
1,347,148	717,431	629,717
206,483	209,485	(3,002)
688,432	519,399	169,033
452,368	446,079	6,289
2,167	2,008	159
415,926	336,534	79,392
15,997,000	17,971,490	(1,974,490)
449,372	449,372	-
249,898	244,719	5,179
<u>24,545,372</u>	<u>26,249,033</u>	<u>(1,703,661)</u>
<u>276,699</u>	<u>(8,719,011)</u>	<u>(8,995,710)</u>
2,500	2,500	-
38,442	91,050	52,608
-	(2,500)	(2,500)
<u>40,942</u>	<u>91,050</u>	<u>50,108</u>
317,641	(8,627,961)	(8,945,602)
9,399,923	9,399,923	-
570,953	570,953	-
<u>\$ 10,288,517</u>	<u>\$ 1,342,915</u>	<u>\$ (8,945,602)</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, 2003**

	Enterprise
Operating Revenues:	
Sales	\$ 285,453
Operating Expenses:	
Salaries	157,658
Fringe Benefits	26,417
Purchased Services	8,874
Materials and Supplies	246,494
Depreciation	10,147
Total Operating Expenses	449,590
Operating Loss	(164,137)
Non-Operating Revenues (Expenses):	
Federal and State Subsidies	142,297
Interest Income	209
Interest Expense	(10)
Loss on Sale of Fixed Assets	(1,829)
Federal Donated Commodities	28,706
Total Non-Operating Revenues and (Expenses)	169,373
Net Income before Operating Transfer	5,236
Transfer In	41,000
Net Income	46,236
Retained Earnings at Beginning of Year	(12,856)
Retained Earnings at End of Year	33,380
Contributed Capital at Beginning and End of Year	57,641
Total Fund Equity at End of Year	\$ 91,021

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 Basis)
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2003**

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Sales	\$ 309,000	\$ 285,453	\$ (23,547)
Federal and State Subsidies	119,000	151,581	32,581
Interest	170	208	38
Total Revenues	428,170	437,242	9,072
Expenses:			
Salaries	156,383	157,590	(1,207)
Fringe Benefits	27,114	25,565	1,549
Purchased Services	8,150	8,085	65
Materials and Supplies	237,873	221,747	16,126
Capital Outlay	3,500	944	2,556
Total Expenses	433,020	413,931	19,089
Excess of Revenues Over/(Under) Expenses	(4,850)	23,311	28,161
Fund Balance Beginning of Year	38,628	38,628	-
Prior Year Encumbrances Appropriated	627	627	-
Fund Balance End of Year	\$ 34,405	\$ 62,566	\$ 28,161

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, 2003**

	Enterprise
Increase in Cash and Cash Equivalents:	
<u>Cash Flows from Operating Activities:</u>	
Cash Received from Customers	\$ 285,453
Cash Payments to Suppliers for Goods and Services	(229,230)
Cash Payments to Employees for Services	(157,590)
Cash Payments for Employee Benefits	(25,565)
Net Cash Used For Operating Activities	(126,932)
<u>Cash Flows from Noncapital Financing Activities:</u>	
Operating Grants Received	151,581
<u>Cash Flows from Capital and Related Financing Activities:</u>	
Acquisition of Capital Assets	(815)
Interest Expense	(10)
Net Cash Used for Capital and Related Financing Activities	(825)
<u>Cash Flows from Investing Activities:</u>	
Interest on Investments	208
Net Increase in Cash and Cash Equivalents	24,032
Cash and Cash Equivalents at Beginning of Year	39,256
Cash and Cash Equivalents at End of Year	\$ 63,288
 Reconciliation of Operating Loss To Net Cash Used For Operating Activities:	
Operating Loss	\$ (164,137)
<u>Adjustments To Reconcile Operating Loss To Net Cash Used For Operating Activities</u>	
Depreciation	10,147
Federal Donated Commodities	28,706
Change in Assets and Liabilities:	
Decrease in Commodities Inventory	311
Increase in Accounts Payable	789
Decrease in Deferred Revenue	(3,624)
Decrease in Intergovernmental Payable	(861)
Increase in Compensated Absences Payable	2,435
Decrease in Capital Lease Payable	(765)
Increase in Accrued Wages	67
Total Adjustments	37,205
Net Cash Used by Operating Activities	\$ (126,932)

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, 2003**

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 454th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 47 non-certificated employees, 75 certificated full-time teaching personnel who provide services to 1,171 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 jointly governed organizations and group insurance pools. These organizations include the Northwest Ohio Area Computer Services Cooperative, the Vantage Career Center, the Paulding County School Insurance Consortium and the Ohio School Boards Association Workers' Compensation Group Rating Program. These organizations are presented in Notes 19 and 20 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 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.

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 expendable trusts or 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 or trust funds).

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

FIDUCIARY FUND TYPES

Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The School District's fiduciary funds include expendable trust funds and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 on 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 (i.e., revenues) and decreases (i.e., 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 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, 2003, but which were levied to finance fiscal year 2004 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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

The Title VI-B and Preschool 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.

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.

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 2003.

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, function, and object level of expenditures, which are the legal levels 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 function or object appropriations within each fund, must be approved by the Board of Education.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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.

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.

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 2003, investments were limited to 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 nonnegotiable certificates of deposit are reported at cost.

The School District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during fiscal year 2003. 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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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, 2003.

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 2003 amounted to \$48,640, \$287, \$25,592, \$285,654, and \$209, 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 three months or less at the time they are purchased by the School District are considered to be cash equivalents.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. 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, 2003, 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
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

I. 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.

J. 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.

K. 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.

L. 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

M. 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.

N. 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.

3. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

Fund balances/retained earnings at June 30, 2003 included the following individual fund deficits:

<u>Fund Type and Fund</u>	<u>Balance</u>
Special Revenue	
Rotary Fund	\$ 5
Miscellaneous State Grants	2,366
Title VI	28
Reducing Class Size	7,426
Drug Free School Grant	9

These GAAP-basis deficits will be funded by anticipated future intergovernmental revenues or other subsidies not recognized and recorded at June 30, 2003.

B. Compliance

Of the expenditures tested, twenty-two percent did not include prior certification and were not subsequently certified with a then-and-now certificate.

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditures without lawful appropriation. Disbursements exceeded appropriations within the following funds:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

June 30, 2003	Appropriation Authority	Budgetary Expenditures	Variance
General Fund	\$ 6,831,789	\$ 6,900,661	\$ (68,872)
Special Revenue Fund 018 - Public School Support	44,495	46,369	(1,874)
Special Revenue Fund 401 - ODE	43,071	44,702	(1,631)
Capital Projects Fund 010 - Classroom Facilities	15,997,000	17,971,490	(1,974,490)

4. 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 - Proprietary Fund Type 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. Although not part of the appropriated budget, the Title VI-B and Preschool, 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.

	General	Special Revenue	Debt Service	Capital Projects	Enterprise
GAAP basis	\$ 342,143	\$ 59,747	\$ 62,213	\$ 1,276,753	\$ 46,236
Adjustments:					
Revenue accruals	(147,356)	(145,977)	(49,839)	166,976	(60,423)
Expenditure accruals	45,846	144,344	1	807,488	38,220
Encumbrances	(117,752)	(46,842)	-	(11,025,706)	(722)
Budget basis	<u>\$ 122,881</u>	<u>\$ 11,272</u>	<u>\$ 12,375</u>	<u>\$ (8,774,489)</u>	<u>\$ 23,311</u>

5. DEPOSITS AND INVESTMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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.

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 "cash".

At fiscal year end, the School District had \$17,893 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 \$8,014,293 and the bank balance was \$8,127,191. Of the bank balance, \$202,585 was covered by federal depository insurance and \$7,924,606 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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.

STAR Ohio is an investment pool operated by the Ohio Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form.

	Category 2	Carrying Value	Fair Value
Federal Home Loan Bank	3,569,560	3,569,560	3,569,560
STAR Ohio		1,050,145	1,050,145
Totals		\$ 4,619,705	\$ 4,619,705

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$ 12,652,491	\$ -
Cash with Fiscal Agent	(17,893)	-
Cash on Hand	(600)	-
Federal Agency Securities	(3,569,560)	3,569,560
STAR Ohio	(1,050,145)	1,050,145
GASB Statement 3	<u>\$ 8,014,293</u>	<u>\$ 4,619,705</u>

6. 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, 2003, are available to finance fiscal year 2003 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, 2003. 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 \$390,288 and is recognized as revenue; \$315,838

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

was available in the General fund, \$70,497 in the Debt Service fund and \$3,953 in the Capital Projects fund.

The assessed values upon which fiscal year 2003 taxes were collected are:

	2002 Second-Half Collections		2003 First-Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	64,697,680	80.17%	35,570,470	86.14%
Public Utility	10,600,190	13.13%	4,114,490	9.96%
Tangible Personal Property	5,394,759	6.70%	1,608,569	3.90%
Total Assessed Value	<u>\$ 80,692,629</u>	<u>100.00%</u>	<u>\$ 41,293,529</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$33.70		\$38.03	

7. INCOME TAX

The School District levies a voted tax of .75 percent for general operations on the income of residents and of estates. 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 to the General Fund, however 30 percent of the revenue is earmarked for permanent improvements.

8. RECEIVABLES

Receivables at June 30, 2003, consisted of both property and income taxes, 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.

9. FIXED ASSETS

A summary of the enterprise funds' fixed assets at June 30, 2003, follows:

	Balance 06/30/03
Furniture and Equipment	\$ 268,907
Less: Accumulated Depreciation	202,239
Net Fixed Assets	<u>\$ 66,668</u>

A summary of the general fixed assets follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

	Balance at 06/30/02	Additions	Deletions	Balance at 06/30/03
Land and Improvements	\$ 471,809	\$ -	\$ 45,030	\$ 426,779
Buildings and Improvements	4,194,873	-	-	4,194,873
Furniture, Fixtures, and Equipment	2,679,255	64,349	18,449	2,725,155
Construction in progress	1,658,844	6,741,942	-	8,400,786
Vehicles	1,147,200	58,280	54,726	1,150,754
Total	<u>\$ 10,151,981</u>	<u>\$ 6,864,571</u>	<u>\$ 118,205</u>	<u>\$ 16,898,347</u>

10. 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 2003, the School District contracted with the Ohio School Risk-Sharing Authority for property and fleet insurance, liability insurance, and inland marine coverage.

Coverages provided by the Ohio School Risk-Sharing Authority are as follows:

Bodily Injury and Property Damage	\$ 1,000,000
Personal Injury/Advertising Liability	1,000,000
Products/Completed Operations	1,000,000
Per Campus Annual Aggregate	1,000,000
General Annual Aggregate	3,000,000
Fire Legal Liability	500,000
Medical Payments Occ/Agg	1,000/5,000
Errors or Omissions Cover	1,000,000
Owned/Leased Vehicles	1,000,000
Medical Payments (occ/agg)	1,000/5,000
Uninsured Motorist	50,000
Automobile Physical Damage	100,000
Property - Including Inland Marine Miscellaneous Equipment, and Automobile Physical Damage - Catastrophic Coverage	23,583,169
Employee Dishonesty Including Faithful Performance of Duty	50,000
Forgery or Alteration	50,000
Computer Fraud	50,000
Theft, Disappearance and Destruction	50,000

B. Workers' Compensation

For fiscal year 2003, 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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

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 compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Gates McDonald provided administrative, cost control and actuarial services to the GRP.

11. 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 43215-3746.

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; 8.17 percent was the portion to fund pension obligations for fiscal year 2003. The contribution rates are not determined actuarially, but are established by SERS' 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, 2003, 2002, and 2001, were \$81,898, \$61,215, and \$45,013, respectively. 48 percent has been contributed for fiscal year 2003 and 100 percent for the fiscal years 2002 and 2001. \$42,696, representing the unpaid contribution for fiscal year 2003 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.

New members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

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; 13 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, 2003, 2002, and 2001, were \$421,628, \$324,645, and \$322,817, respectively. 84 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001. \$69,450, representing the unpaid contribution for fiscal year 2003, 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, 2003, one member of the Board of Education has elected social security. The Board's liability is 6.2 percent of wages paid.

12. POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and the retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare 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.

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund for which payments

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

for health care benefits are paid. As of July 1, 2002, eligible benefit recipients totaled 105,300. For the fiscal year ended June 30, 2002, net health care costs paid by STRS were \$354,697,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, 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 this fiscal year, employer contributions to fund health care benefits were 5.83 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 has been established at \$14,500. The surcharge rate 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 number of participants currently receiving health care benefits is approximately 50,000. For the fiscal year ended June 30, 2002, net health care costs paid by SERS were \$182,946,777. For the School District, the amount to fund post-employment benefits including the surcharge equaled \$72,942 during the 2003 fiscal year.

13. 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 six years of service, and one day for each year of service to a maximum of twenty-one (21) days. 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 percent 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.

14. 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. The future minimum lease payments for these leases are as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

Year Ending June 30,	Amounts
2004	\$ 31,154
2005	29,132
2006	21,852
2007	15,492
Total	\$ 97,630

15. CAPITAL LEASE

The School District has entered into a lease agreement 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 of future minimum lease payments as of the inception date in the General Fund Asset Account Group and the Food Service Enterprise Fund.

The assets acquired through capital leases are as follows:

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

A Capital Lease Payable Liability has been recorded in the General Long-Term Obligations Account Group in the amount of \$7,741. The future minimum lease obligation and the net present value of this minimum lease payment as of June 30, 2003, were as follows:

Year Ending June 30,	GLTDAG
2004	\$ 7,741
Total minimum lease payments	7,741
Present value of minimum lease payments	\$ 7,741

16. LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during fiscal year 2003 were as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

	Principal Outstanding 06/30/02	Additions	Deductions	Principal Outstanding 06/30/03
School Improvement Bonds 1998				
Current interest bonds 1998 (serial) 3.70% - 4.25%	\$ 230,000	\$ -	\$ 115,000	115,000
Capital appreciation bonds 1998, 14.95% - 15.25%	342,850	54,295	-	397,145
School Improvement Bonds 2001				
Current interest bonds 2001 (serial) 3.25% - 4.45%	1,945,000	-	165,000	1,780,000
Current interest bonds 2001 (term) 5.00% - 5.20%	3,250,000	-	-	3,250,000
Capital appreciation bonds 2001, 13.01732%-13.01735%	249,501	24,644	-	274,145
Judgments Loan Payable	5,007,447	-	171,648	4,835,799
Compensated Absences Payable	236,487	57,410	-	293,897
Intergovernmental Payables	54,913	-	6,533	48,380
Capital Lease Payable	15,481	-	7,740	7,741
Total General Long-Term Obligations	<u>\$ 11,331,679</u>	<u>\$ 136,349</u>	<u>\$ 465,921</u>	<u>\$ 11,002,107</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 percent. The District will make biannual payments through fiscal year 2010.

Current Interest Bonds 1998 (Serial) - The Current Interest Bonds mature on December 1, 2003. The remaining principle amount to be redeemed as of June 30, 2003 is \$115,000.

Capital Appreciation Bonds 1998 - The Capital Appreciation Bonds will mature in fiscal years 2004 through 2009. The maturity amounts of the bonds are \$125,000 from 2004 through 2008, and \$120,000 for 2009. The accreted value of the Capital Appreciation Bonds as of June 30, 2003 is \$397,145. 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 amounts of

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

\$2,205,000, \$3,250,000 and \$216,625, respectively. The bonds will be retired with a voted property tax levy from the debt service fund.

Current Interest Bonds 2001 (Serial) - The Current Interest Bonds mature on December 01, 2011. The remaining principle amount to be redeemed as of June 30, 2003 is \$1,780,000.

Current Interest Bonds 2001 (Term) - The Current Interest Bonds maturing on December 1, 2018 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2015, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Principal Amount to be Redeemed
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 1, 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 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

Year	Principal Amount to be Redeemed
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 1, 2028 are subject to mandatory sinking fund redemption. The mandatory sinking fund redemption is to occur on December 1, 2024, and on each December 1 thereafter at 100 percent of the principal amount thereof plus accrued interest to the date of redemption according to the following schedule:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

Year	Principal Amount to be Redeemed
2024	\$ 105,000
2025	110,000
2026	115,000
2027	125,000

Unless otherwise called for redemption, the remaining \$130,000 principal amount of Bonds due December 1, 2028 is to be paid at stated maturity.

Capital Appreciation Bonds 2001 - The Capital Appreciation Bonds will mature in fiscal years 2012 through 2014. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2003 is \$274,145. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt, including notes outstanding at June 30, 2003, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds for Year 1998	School Improvement Bonds for Year 2001	Total General Obligation Bonds
2004	\$ 117,444	\$ 409,653	\$ 527,097
2005	125,000	403,702	528,702
2006	125,000	402,490	527,490
2007	125,000	405,830	530,830
2008	125,000	403,515	528,515
2009 - 2028	245,000	7,168,485	7,413,485
Total future payments	862,444	9,193,675	10,056,119
Total Bond accreted	192,195	57,520	249,715
Less: Amount representing interest	542,494	3,947,050	4,489,544
Total	\$ 512,145	\$ 5,304,145	\$ 5,816,290

Judgment Loan Payable

On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit which was filed as the result of an accident involving a School District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2003, are as follows:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

Fiscal Year Ending June 30,	Payments
2004	\$ 176,798
2005	182,102
2006	187,565
2007	193,192
2008	198,988
2009 - Thereafter	<u>3,897,154</u>
Total	<u>\$ 4,835,799</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

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

17. STATUTORY RESERVES

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

During the fiscal year ended June 30, 2003, the reserve activity was as follows:

	Textbook Reserve	Capital Maintenance Reserve	Total
Set-Aside Cash Balance as of June 30, 2002	\$ (183,450)	\$ -	\$ (183,450)
Required Set-Aside	133,301	133,301	266,602
Offset Credits	-	(133,301)	(133,301)
Qualifying Expenditures	<u>(179,639)</u>	<u>-</u>	<u>(179,639)</u>
Total	<u>\$ (229,788)</u>	<u>\$ -</u>	<u>\$ (229,788)</u>

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

18. 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, 2003.

	Food Service	Uniform School Supplies	Total Enterprise Funds
Operating Revenues	\$ 262,048	\$ 23,405	\$ 285,453
Operating Expenses			
before Depreciation	(426,558)	(12,885)	(439,443)
Depreciation	(10,147)	-	(10,147)
Operating Income (Loss)	(174,657)	10,520	(164,137)
Donated Commodities	28,706	-	28,706
Federal and state subsidies	142,297	-	142,297
Interest income	209	-	209
Interest expense	(10)	-	(10)
Loss on sale of fixed assets	(1,829)	-	(1,829)
Net Income	24,715	21,521	46,236
Net Working Capital	18,991	16,289	35,280
Total Assets	119,897	16,289	136,186
Total Liabilities	45,165	-	45,165
Total Equity	74,732	16,289	91,021
Encumbrances Outstanding at June 30, 2003	722	-	722

19. 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 Career Center, Attention: Treasurer, 818 North Franklin Street, Van Wert, Ohio 45891-1304.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

20. 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.

21. 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 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, 2003.

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.

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 \$15,306,617 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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the General-Purpose Financial Statements
June 30, 2003
(Continued)**

23. CONTRACTUAL COMMITMENTS

As of June 30, 2003, the School District had the following contractual purchase commitments:

<u>Company</u>	<u>Amount Remaining</u>
Bowen & Washington & Regency	\$ 59,239
Brint Electric Total	60,472
Bruns Design & Development	198,945
Central Fire Protection Total	316,659
Chambers & Controls	216,467
Continental Office Environment Total	157,885
Corporate Construction	4,347,863
Engineered Systems	393,997
Fanning & Howey Total	201,294
Ferguson Construction	1,402,000
Frost & Company Total	833,329
Holcomb	145,418
J-Tec Inc. Total	138,575
Ohio Plumbing	273,751
Schumm Plumbing Total	451,409
Shambaugh & Associates	43,558
Wadsworth & Assoc. Total	149,354
Warner Mechanical	938,674
Woolace Electric	630,354
Grand Total	<u>\$ 10,959,243</u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Federal Awards Receipts and Expenditures
For the Year Ended June 30, 2003**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Disbursements
Program Title				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
<u>Nutrition Cluster:</u>				
Food Distribution Program		10.550	\$ 26,100	\$ 26,100
School Breakfast Program		10.553	23,069	23,069
National School Lunch Program		10.555	121,109	121,109
Total U.S. Department of Agriculture - Nutrition Cluster			<u>170,278</u>	<u>170,278</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education:</i>				
Title I Grants to Local Educational Agencies	CS-S1-01	84.010	23,023	23,023
	CS-S1-02	84.010		38,970
	CS-S1-03	84.010	173,301	121,360
Total Title I Grants			<u>196,324</u>	<u>183,353</u>
Safe and Drug Free Schools and Communities Grant	DR-S1-02	84.186		290
	DR-S1-03	84.186	6,266	6,963
Total Safe and Drug Free Schools and Communities Grant			<u>6,266</u>	<u>7,253</u>
Eisenhower Professional Development Grant	MS-S1-02	84.281	797	5,183
Innovative Educational Program Strategies	C2-S1-02	84.298		393
	C2-S1-03	84.298	6,845	6,848
			<u>6,845</u>	<u>7,241</u>
Technology Literacy Challenge Fund Grant	TF 53	84.318		20,531
	TJS1-03	84.318	4,745	4,213
			<u>4,745</u>	<u>24,744</u>
Class Size Reduction	CR-S1-02	84.340	2,697	28,314
School Renovation Grants	AT53-02	84.352A	4,655	4,644
Improving Teacher Quality	TRS1-03	84.367	54,533	61,959
Total U.S. Department of Education			<u>276,862</u>	<u>322,691</u>
Total			<u><u>\$447,140</u></u>	<u><u>\$492,969</u></u>

The accompanying notes are an integral part of this schedule.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Notes to the Schedule of Federal Awards Receipts and Expenditures
For the Fiscal Year Ended June 30, 2003**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Government contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Government has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT 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, Paulding County, (the District) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 19, 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 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 and 2003-002. We also noted certain immaterial instances of noncompliance which we have reported to the management of the District in a separate letter dated December 19, 2003.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the 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 District in a separate letter dated December 19, 2003.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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

This report is intended for the information and use of the audit 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

December 19, 2003



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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, Paulding County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2003. The District's major federal program is 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 program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 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 District's compliance with those requirements.

In our opinion, the 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, 2003.

Internal Control over Compliance

The management of the 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 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.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

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 audit committee, management, 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

December 19, 2003

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**Schedule of Findings
OMB Circular A-133 § .505
June 30, 2003**

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)?	Yes
(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):	Title I, Part A, ESEA CFDA# 84.010
(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**

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

**FINDING NUMBER 2003-001
 (Continued)**

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Board may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1000 (\$3000 effective April 2003), the fiscal officer may authorize it to be paid without the affirmation of the Board, if such expenditure is otherwise valid.

Twenty-two percent of the transactions tested did not include prior certification of the Treasurer and were not subsequently certified with a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to help assure that purchase commitments receive prior approval and to help reduce the possibility of District funds being over expended. To improve controls over disbursements we recommend all District disbursements receive prior certification of the Treasurer and the Board periodically review the expenditures made to ensure they are certified by the Treasurer and recorded against appropriations.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditures without lawful appropriation. Disbursements exceeded appropriations within the following funds:

<u>June 30, 2003</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General Fund	\$ 6,831,789	\$ 6,900,661	\$ (68,872)
Special Revenue Fund 018 - Public School Support	44,495	46,369	(1,874)
Special Revenue Fund 401 - ODE	43,071	44,702	(1,631)
Capital Projects Fund 010 - Classroom Facilities	15,997,000	17,971,490	(1,974,490)

The Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Treasurer should inform the Board of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Board should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JANUARY 20, 2004**