



**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2005**



**Auditor of State
Betty Montgomery**

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2005. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code Section 117-2-03 (B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Wayne Trace Local School District, Paulding County, as of and for the year ended June 30, 2005, in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2006, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Betty Montgomery
Auditor of State

January 18, 2006

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

COMBINED STATEMENT OF CASH AND CASH EQUIVALENTS
AND FUND CASH BALANCES
ALL FUND TYPES
AS OF JUNE 30, 2005

Cash and Cash Equivalents	<u><u>\$ 3,021,645</u></u>
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CASH BALANCES BY FUND TYPE

Governmental Fund Types:	
General Fund	\$ 662,798
Special Revenue Funds	323,624
Debt Service Funds	516,902
Capital Projects Funds	1,425,166
Proprietary Fund Type:	
Enterprise Funds	61,246
Fiduciary Fund Type:	
Agency Funds	<u>31,909</u>
Total	<u><u>\$ 3,021,645</u></u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	Governmental Fund Types		Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash receipts:					
Property tax and other local taxes	\$ 2,308,241	\$ 39,330	\$ 481,924	\$ 150,544	\$ 2,980,039
Intergovernmental	4,844,556	410,111	52,333	234,934	5,541,934
Tuition	264,868	-	-	-	264,868
Earnings on investments	37,299	305	13,632	54,634	105,870
Extracurricular Activities	-	156,757	-	-	156,757
Classroom Materials and Fees	23,657	-	-	-	23,657
Miscellaneous	25,581	29,476	-	-	55,057
Total cash receipts	7,504,202	635,979	547,889	440,112	9,128,182
Cash disbursements:					
Instruction					
Regular	3,417,633	105,122	-	50,918	3,573,673
Special	662,719	262,606	-	-	925,325
Vocational Education	129,222	-	-	-	129,222
Other Instruction	59,820	-	-	-	59,820
Supporting Services					
Pupils	340,143	4,168	-	-	344,311
Instructional Staff	265,129	24,760	-	-	289,889
Board of Education	81,231	-	-	-	81,231
Administration	737,579	26,231	-	-	763,810
Fiscal Services	187,190	3,328	15,532	2,386	208,436
Operation and Maintenance of Plant	708,478	13,793	-	35,560	757,831
Pupil Transportation	422,412	-	-	-	422,412
Central	351	303	-	-	654
Non-Instructional Services	-	25,800	-	-	25,800
Extracurricular Activities	195,221	147,523	-	450	343,194
Facilities Acquisition and Construction	-	-	-	2,519,486	2,519,486
Debt Service:					
Principal Retirement	173,965	-	223,363	-	397,328
Interest and Fiscal Charges	-	-	302,233	-	302,233
Total cash disbursements	7,381,093	613,634	541,128	2,608,800	11,144,655
Total receipts over/(under) disbursements	123,109	22,345	6,761	(2,168,688)	(2,016,473)
Other financing receipts and (disbursements):					
Sale of Fixed Assets	1,116	-	-	18,689	19,805
Transfers-In	31,367	3,420	-	2	34,789
Transfers-Out	(19)	(3,407)	-	(31,363)	(34,789)
Advances-In	59,709	36,128	12,000	-	107,837
Advances-Out	(97,939)	(37,898)	(12,000)	-	(147,837)
Refund of Prior Year Expenditures	23,907	-	-	-	23,907
Total other financing receipts/(disbursements)	18,141	(1,757)	-	(12,672)	3,712
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	141,250	20,588	6,761	(2,181,360)	(2,012,761)
Fund cash balances, July 1	521,548	303,036	510,141	3,606,526	4,941,251
Fund cash balances, June 30	<u>\$ 662,798</u>	<u>\$ 323,624</u>	<u>\$ 516,902</u>	<u>\$ 1,425,166</u>	<u>\$ 2,928,490</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating cash receipts:			
Food Services	\$ 252,769	\$ -	\$ 252,769
Classroom Materials and Fees	31,152	-	31,152
Extracurricular Activities	-	132,896	132,896
Total operating cash receipts	<u>283,921</u>	<u>132,896</u>	<u>416,817</u>
Operating cash disbursements:			
Personal Services	166,165	-	166,165
Employees Retirement and Insurance	36,192	-	36,192
Purchased Services	9,055	42,027	51,082
Supplies and Materials	245,533	97,286	342,819
Other operating expenses	671	-	671
Total operating cash disbursements	<u>457,616</u>	<u>139,313</u>	<u>596,929</u>
Operating loss	<u>(173,695)</u>	<u>(6,417)</u>	<u>(180,112)</u>
Non-operating cash receipts:			
Intergovernmental receipts	171,898	-	171,898
Miscellaneous	-	351	351
Total non-operating cash receipts	<u>171,898</u>	<u>351</u>	<u>172,249</u>
Excess of disbursements over receipts before interfund advances	(1,797)	(6,066)	(7,863)
Advances-In	61,811	-	61,811
Advances-Out	<u>(21,811)</u>	<u>-</u>	<u>(21,811)</u>
Net receipts over/(under) disbursements	38,203	(6,066)	32,137
Fund cash balances, July 1	<u>23,043</u>	<u>37,975</u>	<u>61,018</u>
Fund cash balances, June 30	<u>\$ 61,246</u>	<u>\$ 31,909</u>	<u>\$ 93,155</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

COMBINED STATEMENT OF RECEIPTS
BUDGET AND ACTUAL COMPARISON
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$ 7,624,095	\$ 7,560,592	\$ (63,503)
Special Revenue Funds	690,771	639,399	(51,372)
Debt Service Funds	558,594	547,889	(10,705)
Capital Projects Funds	1,160,815	458,803	(702,012)
Proprietary Fund Type:			
Enterprise Funds	<u>520,226</u>	<u>455,819</u>	<u>(64,407)</u>
Total (Memorandum Only)	<u>\$ 10,554,501</u>	<u>\$ 9,662,502</u>	<u>\$ (891,999)</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	Prior Year			Actual	Encumbrances		Variance
	Carryover	2005		2005	Outstanding		Favorable
	Appropriations	Appropriations	Total	Disbursements	at 6/30/2005	Total	(Unfavorable)
Governmental Fund Types:							
General Fund	\$ 85,467	\$ 7,615,254	\$ 7,700,721	\$ 7,381,112	\$ 98,456	\$ 7,479,568	\$ 221,153
Special Revenue Funds	33,867	686,925	720,792	617,041	49,264	666,305	54,487
Debt Service Fund	-	553,147	553,147	541,128	-	541,128	12,019
Capital Projects Funds	2,277,899	1,697,794	3,975,693	2,640,163	299,966	2,940,129	1,035,564
Proprietary Fund Type:							
Enterprise Funds	1,224	508,679	509,903	457,616	1,648	459,264	50,639
Total (Memorandum Only)	\$ 2,398,457	\$ 11,061,799	\$ 13,460,256	\$ 11,637,060	\$ 449,334	\$ 12,086,394	\$ 1,373,862

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005**

1. DESCRIPTION OF THE ENTITY

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

The District was established in 1971. The District serves an area of approximately 178 square miles consisting of the Villages of Payne and Grover Hill, and portions of Benton, Harrison, Blue Creek, Paulding, Latty, and Washington Townships. The District is the 454th largest in the State of Ohio (among 613 school districts) in terms of enrollment. It is staffed by 53 non-certificated employees, 68 certificated full-time teaching personnel who provide services to 1,147 students and other community members.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America, the District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

A. Basis of Presentation - Fund Accounting

The District uses fund accounting to segregate cash and investments which are restricted to use. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

For financial statement presentation purposes, the various funds of the 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 District are financed. The following are the District's governmental fund types:

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

General Fund – The General Fund is the operating fund of the 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 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 – This fund is used for the accumulation of resources for, and the payment of, general obligation long-term debt principal and interest.

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 District's ongoing activities which are similar to those found in the private sector.

Enterprise Fund – The Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues 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 District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District's fiduciary funds consist of agency funds.

B. Budgetary Process

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

All funds, other than agency funds, are legally required to be budgeted and appropriated.

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.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Budget

The requirement to submit a budget of estimated cash receipts and disbursements to the Paulding County Auditor, as secretary of the Paulding County Budget Commission, by January 20, for the period July 1 to June 30 of the following year, has been waived by Paulding County.

Estimated Resources

The Paulding County Budget Commission certifies its actions to the District by March 1. As part of this certification, the District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2004, unencumbered fund balances. However, those fund balances are available for appropriation.

Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

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

The District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over and need not be reappropriated.

C. Property, Plant, and Equipment

Acquisition of property, plant, and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

D. Unpaid Vacation and Sick Leave

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

E. Cash and Investments

The District maintains a cash and investment pool which is available for all funds. Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the Combined Statement of Cash and Cash Equivalents and Fund Cash Balances. During fiscal year 2005, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio), federal securities, and no load mutual funds. All investments of the District had a maturity of two years or less. Investments are stated at cost. Investment earnings are allocated as authorized by State statute and Board resolution.

F. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Total- (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund –type eliminations have not been made in the aggregation of this data.

3. DEPOSITS AND INVESTMENTS

Monies held by the District are classified by State statute into three categories.

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

Inactive deposits are public deposits that the Board 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 held by the District can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. DEPOSITS AND INVESTMENTS – (Continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the District had \$600 in undeposited cash on hand which is included as part of "Cash and Cash Equivalents".

Deposits

The District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the District or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Investments

As of June 30, 2004, the District had \$123,782 invested in STAR Ohio.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The District's investment policy does not address interest rate risk.

The District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

3. DEPOSITS AND INVESTMENTS – (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

4. PROPERTY TAXES

Real property taxes are levied on assessed values which equal 35 percent of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2003.

Real property taxes become a lien on all nonexempt real property located in the District on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, State statute permits later payment dates to be established.

The full tax rate applied to real property, for the fiscal year ended June 30, 2005, was \$38.03 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$30.76 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$30.10 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended June 30, 2005, was \$38.03 per \$1,000 of assessed valuation.

Real Property Valuation	
Residential/Agricultural	\$ 62,896,200
Commercial/Industrial	7,329,420
Public Utilities	99,880
Tangible Personal Property Valuation	
General	3,103,278
Public Utilities	9,475,440
	<hr/>
<i>Total Valuation</i>	<u><u>\$ 82,904,218</u></u>

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

4. PROPERTY TAXES – (Continued)

The Paulding County Treasurer collects property tax on behalf of all taxing districts within the District. The Paulding County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the District.

5. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees and natural disaster. During fiscal year 2005, the District contracted with Ohio Schools Risk Sharing Authority for property, fleet, and liability insurance.

Coverage's provided by the District's insurance carrier's 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 Acc/Agg	1,000/5,000
Errors or Omissions Cover	1,000,000
Owned/Leased Vehicles	1,000,000
Medical Payments (Acc/Agg)	1,000/5,000
Uninsured Motorist	50,000
Automobile Physical Damage	100,000
Catastrophic Coverage	23,407,926
Employee Dishonesty/Faithful Performance of Duty	50,000
Forgery or Alteration	50,000
Computer Fraud	50,000
Theft, Disappearance and Destruction	50,000

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There has been no significant reduction in insurance coverage from fiscal year 2003.

6. RETIREMENT SYSTEMS

Certified teachers employed by the District participate in the State Teachers Retirement System of Ohio (STRS). The District's official and all other employees belong to the School Employees Retirement System of Ohio (SERS). STRS and SERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. STRS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent of participants' gross salaries. SERS members contributed 10 percent of their wages and the District contributed an amount equal to 14 percent for of participants' gross salaries. The District has paid all contributions required through June 30, 2005.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. DEBT OBLIGATIONS

The following is a description of the District bonds outstanding as of June 30, 2005:

	Principal Outstanding 06/30/04	Additions	Deductions	Principal Outstanding 06/30/05
Capital appreciation bonds 1998, 14.95% - 15.25%	460,038	72,854	48,363	484,529
School Improvement Bonds 2001				
Current interest bonds 2001, (serial) 3.25% - 4.45%	1,605,000	-	175,000	1,430,000
Current interest bonds 2001, (term) 5.00% - 5.20%	3,250,000	-	-	3,250,000
Capital appreciation bonds 2001, 13.01732%-13.01735%	301,223	29,753	-	330,976
Judgments Loan Payable	4,660,163	-	173,965	4,486,198
<i>Total General Long-Term Obligations</i>	<u>\$ 10,276,424</u>	<u>\$ 102,607</u>	<u>\$ 397,328</u>	<u>\$ 9,981,703</u>

Capital Appreciation Bonds 1998 - The Capital Appreciation Bonds mature in fiscal years 2005 through 2010. The maturity amounts of the bonds are \$125,000 from 2005 through 2009, and \$120,000 for 2010. The accreted value of the Capital Appreciation Bonds as of June 30, 2005, is \$484,529. Capital Appreciation Bonds are not subject to redemption prior to maturity. The proceeds from these bonds were used to refinance bonds issued in 1991 for school building improvements.

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 \$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 1, 2011. The remaining principle amount to be redeemed as of June 30, 2005, is \$1,430,000.

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. DEBT OBLIGATIONS – (Continued)

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:

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

Unless otherwise called for redemption, the remaining \$280,000 principal amount of the Bonds due December 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:

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

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. DEBT OBLIGATIONS – (Continued)

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:

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 2013 through 2015. The maturity amount of the bonds is \$245,000. The accreted value of the Capital Appreciation Bonds as of June 30, 2005, is \$330,976. Capital Appreciation Bonds are not subject to redemption prior to maturity.

Payment requirements to retire general obligation debt, including notes outstanding at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	School Improvement Bonds for Year 1998	School Improvement Bonds for Year 2001	Total General Obligation Bonds
2006	\$ 125,000	\$ 399,160	\$ 524,160
2007	125,000	402,173	527,173
2008	125,000	399,664	524,664
2009	125,000	396,712	521,712
2010	120,000	403,043	523,043
2011-2015	-	2,023,487	2,023,487
2016-2020	-	1,997,100	1,997,100
2021-2025	-	1,715,995	1,715,995
2026-2028	-	531,740	531,740
<i>Total future payments</i>	620,000	8,269,074	8,889,074
Total Bond accreted	327,942	114,352	442,294
Less: Amount representing interest	463,413	3,372,450	3,835,863
<i>Total</i>	\$ 484,529	\$ 5,010,976	\$ 5,495,505

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

7. DEBT OBLIGATIONS – (Continued)

Judgment Loan Payable

On October 5, 1995, the Supreme Court of Ohio rendered an adverse decision against the District in a lawsuit which was filed as the result of an accident involving a District bus. The amount of the judgment at June 30, 1997, was \$5,618,561. On July 8, 1997, the District entered into a loan agreement with the State of Ohio to pay the judgment. Future requirements to retire this debt at June 30, 2005, are as follows:

Fiscal Year Ending June 30,	Payments
2006	\$ 179,184
2007	184,559
2008	190,096
2009	195,799
2010	201,673
2011-2015	1,102,831
2016-2020	1,278,484
2021-2024	1,153,572
<i>Total</i>	\$ 4,486,198

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

8. LOCAL INCOME TAX

The District levies a voted tax of 1.25% 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 District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

9. SET ASIDE REQUIREMENTS

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

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)**

9. SET ASIDE REQUIREMENTS – (Continued)

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2005.

	Instructional Materials	Capital Maintenance
Balance June 30, 2004	\$ (191,012)	\$ -
Required set-aside	138,123	138,123
Off-sets		(138,123)
Qualifying expenditures	(66,711)	-
Balance June 30, 2005	\$ (119,600)	\$ -
Balance carried forward to FY 2006	\$ (119,600)	\$ -

The District had qualifying expenditures during the fiscal year that reduced the textbooks set aside amount below zero. This amount may be used to reduce the set aside requirement in future fiscal years.

10. CONTRACTUAL COMMITMENTS

As of June 30, 2005, the District had the following contractual purchase commitments:

Company	Amount Remaining
Brint Electric Total	\$ 5,142
Bruns Design & Development	428
Central Fire Protection Total	5,133
Chambers & Controls	2,529
Continental Office Environment Total	724
Engineered Systems	5,478
Fanning & Howey Total	11,000
Ferguson Construction	41,508
Warner Mechanical	27,469
Woolace Electric	18,979
Pomeroy Inc	1,419
Data Eclipse	3,561
<i>Grand Total</i>	\$ 123,370



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To the Board of Education:

We have audited the financial statements of the Wayne Trace Local School District, Paulding County, (the District) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 18, 2006, wherein we noted that the District prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the District's management dated January 18, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-001. In a separate letter to the District's management dated January 18, 2006, we reported other matters related to noncompliance we deemed immaterial.

Wayne Trace Local School District
Paulding County
Independent Accountant' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and the Board of Education. It is not intended for 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
Ohio Auditor of State

January 18, 2006

**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
JUNE 30, 2005**

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

FINDING NUMBER 2005-001

Noncompliance Citation

Ohio Revised Code § 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03 further clarifies the requirements of Ohio Revised Code § 117.38.

Ohio Administrative Code §117-2-03(B) requires the District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, the District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	ORC § 117.38 reporting on basis other than generally accepted accounting principles	No	Not corrected. Repeated as Finding 2005-001.
2004-002	ORC § 5705.41(D) failure to certify funds	No	Improvement has been made reducing this to a management letter comment.
2004-003	ORC § 5705.39 appropriations exceeding estimated revenue	No	Improvement has been made reducing this to a management letter comment.



**Auditor of State
Betty Montgomery**

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**WAYNE TRACE LOCAL SCHOOL DISTRICT
PAULDING COUNTY**

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 9, 2006**